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Supreme Court of the United States

October Term, 1926.

THE MOSLER SAFE COMPANY,
Petitioner-(Defendant),

vs.

ELY-NORRIS SAFE COMPANY,
Respondent-(Plaintiff).

No. ~~403~~ 94.

BRIEF FOR PETITIONER.

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LIST OF CASES CITED.

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BRIEF FOR PETITIONER.

This cause was brought here on writ of *certiorari* (Tr., p. 13) entered May 11, 1924. The judgment to be reviewed is the mandate (Tr., p. 12) of the United States Circuit Court of Appeals for the Second Circuit, dated April 14, 1925, this having been entered pursuant to an opinion of that Court reported at 7 Fed. (2nd) 603, reversing a decree of dismissal entered pursuant to an opinion of the Trial Court, not reported, but reproduced at page 6 of the Transcript. This Court has jurisdiction under Section 240 of the Judicial Code.

The plaintiff, Ely-Norris Safe Company, being a manufacturer and vendor of safes having a peculiar "explosion chamber," charged that the petitioner (hereinafter called defendant) had deprived it of sales and thereby injured it by making and selling safes which it represented as having an explosion chamber, which representation was false (Tr., p. 1 *et seq.*). On motion (p. 5), the District Court (pp. 6-7) dismissed the bill as not setting forth

facts constituting a cause of action in equity. On appeal (p. 7 *et seq.*), this holding was reversed by the Appellate Court (p. 10 *et seq.*). Defendant's contention is that this reversal was error and that, under well settled authorities hereinafter referred to, including *American Washboard Co.* v. *Saginaw Mfg. Co.*, 103 Fed. 281, (then) Circuit Judges Taft, Lurton and Day sitting, the decree of the District Court was right and should have been affirmed.

It is admitted by the Appellate Court for the Second Circuit that its ruling is squarely in conflict with that of the Appellate Court for the Sixth Circuit in that case.

As an assignment of errors in the decision of the lower Court, we contend that it should have held, but did not hold, that under the averments of the bill no private right of action in the plaintiff existed, and that no cause of action cognizable in equity was set forth.

The Facts.

Briefly put, the bill (Secs. I, V and VII and prayers) charges the defendant with unfair competition and seeks injunction and damages. No element of substitution or "palming off" or misrepresentation of origin is involved. Admittedly (Tr., pp. 4 and 5), defendant's safes which are complained of bore "defendant's name and address"; they were sold as "defendant's safes" and not as plaintiff's, and, finally, it is not contended that "any purchaser of defendant's safes * * * believed, or that defendant gave him reason to believe, that such safe was of plaintiff's production." The statement of facts found in the opening paragraph of the opinion below is incomplete and fails to bring to light some important considerations, which are, we think, apparent on the face of the bill. We note, therefore, the following:

1. The plaintiff was the owner of, and its safe business was established under the protection of, two patents, both

of which have expired. The main patent, 827,351, was granted July 30, 1906 (Tr., p. 1), and expired on July 30, 1923—more than a year before this suit was brought. The junior patent, 909,568, was granted January 12, 1909, and expired on January 12, 1926. Notwithstanding the expiration of the main patent and, consequently, the public's succession to the invention thereof, the bill (Sec. III) alleges, fourteen months thereafter, that the plaintiff "now is engaged in the manufacture and sale of safes" thereunder.

2. It is important to note that these patents covered, not any and all explosion chamber safes, but only one of peculiar construction. Safes made thereunder (Sec. III) "have as a novel and distinctive feature an explosion chamber *as described and claimed in said Letters Patent.*" Throughout Sections III and IV of the bill and the forepart of Section V, the bill refers repeatedly to the described and claimed explosion chamber and always by the expression *"such* an explosion chamber," *i. e.,* the sort of chamber previously (Sec. III) characterized as having been "novel and distinctive" in 1906 and 1909 when the patents were granted. In the former (patent infringement) suit the defendant (Sec. V) is charged with the manufacture and sale of safes containing *"such an explosion chamber."*

3. But when the plaintiff comes to a charge against the defendant *in the present case* (latter part of Sec. V), it loses sight of the fact that such rights as it had, if any, concerned *a peculiar explosion chamber.* According to the bill, the defendant, after infringing the patents by making *"such* an explosion chamber," commenced making and selling safes represented as having *"an* explosion chamber." Plainly, this means that, according to plaintiff, after mak-

ing an infringing explosion chamber and being sued for it, the defendant started making non-infringing explosion chambers against which the patents, even if in force, would be useless. That defendant's representation that its new type of safe contained "an explosion chamber" (that of the expired patent or, at any rate, non-infringing) was true with respect to *some* of those safes is admitted by the bill, which alleges only that *sometimes* ("frequently") it was false.

4. Thus, according to the bill, when the suit was started the defendant had made and sold three types of safes, one said to employ the peculiar, patented explosion chamber and alleged to infringe the patents while they remained in force, another having an explosion chamber and not alleged to infringe, and the third a safe which defendant represented as having an explosion chamber but which, in fact, had none. The bill shows that these three types were brought out by the defendant and (closing lines of Sec. VII) that the last two are now in production. Discontinuance of production of the first is not alleged, so that it is fair to assume that when the bill was filed the defendant was in position to supply any public demand for any of the three types.

5. So far as this suit is concerned, and so far as may be assumed on the bill, defendant's occupancy of the field with the first two types of safe was, at the time this suit was brought, lawful. If the first type embodied the invention of the first patent, the expiration of that patent fourteen months previously had thrown that type open to the public. If it embodied the invention of the junior second patent, the plaintiff had its remedy under that patent, unfair competition not even having been asserted. *As to the second type, neither patent infringement nor unfair competition is alleged.*

6. So that the situation of the parties at the time this suit was brought, presented these factors: The plaintiff was selling a peculiar explosion chamber safe, the first (and, presumably, the main) patent on which had expired. The defendant was in the market with an explosion chamber safe which was free from the main patent and if it infringed the junior patent, plaintiff had its remedy in the former suit. The defendant was also in the market with an explosion chamber safe as to which neither patent infringement nor unfair trade is alleged. The parties were competitors for such business as was offered. Both were exploiting explosion chamber safes and, it must be conceded, both were doing so lawfully. Plaintiff's charge of unlawfulness by defendant does not concern these safes, but an entirely different safe not containing, according to the bill, *any* explosion chamber (Sec. VI).

The Theory of the Bill.

It was in this situation and under these conditions that the plaintiff brought its bill alleging unfair trade. That bill asserts—

(*a*) that (latter part of Sec. IV) the public "believes in," and desires to purchase, safes having the plaintiff's (patented) "novel and distinctive" explosion chamber—that is, the chamber of plaintiff's expired patents;

(*b*) that the defendant was selling safes having "*an* explosion chamber," which, however, are not complained of, presumably because such chamber was not the "novel and distinctive" chamber patented by plaintiff and employed in its safes;

(*c*) that sometimes ("frequently") defendant sold safes not containing "*any* explosion chamber," misrepresenting these, however, as containing "an explosion chamber"; and

(*d*) that this misrepresentation deceived purchasers and led them to believe that these "frequent" safes not only contained an explosion chamber, but that they contained a chamber (Tr., p. 3, line 5) "such as is contained in the safes manufactured and sold by this plaintiff," *i. e.*, plaintiff's peculiar, "novel and distinctive" chamber.

The charge against the defendant boils down, therefore, to this, that although the defendant was lawfully selling chamber safes (of which no complaint is made), it also sold *chamberless* safes as *chamber* safes and that purchasers took these, not as plaintiff's safes, but as safes containing the peculiar and distinctive chamber employed in plaintiff's product.

In the nature of things, this simply cannot be true. It is tantamount to saying that if a builder sold a partially completed house under the misrepresentation that it contained a staircase, the purchaser would be warranted in assuming that the latter was of winding, Colonial design.

Passing this charge, and the assumption on which it is based, the bill (Sec. VII) avers that every person who bought a safe from defendant, misrepresented as having "*an* explosion chamber," would have bought a safe from the plaintiff having the plaintiff's "novel and distinctive" explosion chamber. This again is pure surmise, speculation and assumption. As already shown, according to the bill itself, the defendant was lawfully in the chamber safe field. If a purchaser desired a safe of this type, he had defendant's line to choose from, quite as well as plaintiff's.

The lower Court sustained the bill largely upon this averment. It held, in effect, that plaintiff's assumption could not be indulged if the purchaser could have procured a chamber safe from anyone other than the plaintiff and ignored the fact that this is precisely what the purchaser *could* have done.

Thus the lower Court flatly took the position of the unsuccessful defendant in the *Washboard* case, holding, in effect, that a tradesman has a private right of action against a competitor in the same line who misrepresents the quality or construction of his goods, and that if the former have a monopoly in his line, damage through loss of sales may be assumed. Then the Court went further and, contrary to the story told by the bill, assumed that the plaintiff *had* such a monopoly and sustained the bill.

Argument.

Our contention is that the lower Court fell into error in both respects. It may be that, in part at least, this was induced by the misconception that the plaintiff was endeavoring to protect a lawful monopoly based upon patents when, in point of fact, what it was really trying to do was to prolong the monopoly of a patent that had expired fourteen months before the suit was brought. The bill itself lent itself to such a misconception. For example, after referring to the patents quite as if both were in force at the time the bill was filed, the plaintiff prays (Tr., p. 3) for an injunction restraining the defendant from selling safes having a device tending to "imitate the explosion chamber of plaintiff's Letters Patent." Plainly, this means that the plaintiff seeks precisely what this Court refused in *Warner* v. *Eli Lilly,* 265 U. S. 526-532, *i. e.,* "the aid of a decree to create or support, or assist in creating or supporting, a monopoly of the sale of a preparation which everyone, including petitioner, is free to make and vend."

In point of fact, the patents plainly have nothing whatever to do with the case. The most that can be said of them is that they afford a basis, in a patent infringement suit, of determining just what exclusive rights the plaintiff

had, while they were in force, in the chamber safe field. If the defendant ever infringed upon them, the law will see to it that the plaintiff will be compensated for the invasion. But that mere possession of them, and user, by the plaintiff indicates a practical business monopoly which a court of equity should protect under the common law, particularly fourteen months after the main patent had lapsed, cannot be tolerated for a moment.

We stand squarely upon the doctrine of the *Washboard* case. For twenty-five years that case has generally been regarded not only as a landmark in the law of unfair trade but as a final determination of the rights and responsibilities of tradesmen in a situation such as there and here presented. To now throw this scholarly, well-considered and, as we believe, fundamentally sound precedent to the winds and to depart so radically from it as the lower Court has indicated, would, we believe, set the commercial world by the ears and lead to unending unrest and uncertainty.

The *Washboard* case was, as the lower Court found (Tr., p. 11), "a case in substance like that at bar." No attempt at differentiation was made, either by that Court or by the plaintiff. In point of fact, the only difference that can be found makes against the plaintiff, this being that in the Sixth Circuit case the plaintiff had a monopoly in the field of aluminum-faced washboards, while here the field involved was, as previously shown, shared by both plaintiff and defendant.

Briefly stated, in the *Washboard* case (see extensive quotation therefrom in Appendix, p. 27), the plaintiff, selling aluminum-faced washboards, charged injury by defendant's sale of zinc-faced boards which were "fraudulently and falsely" branded, advertised and misrepresented as of aluminum. Purchasers were thus "induced to be-

lieve that the rubbing sheet is made of aluminum." The theory of the bill was, as it is here, that defendant's sales would have been made by the plaintiff but for the defendant's deceit. The Appellate Court, after analyzing the bill and considering the essential basis of the law of unfair trade, held that no private cause of action was made out, even admitting that it was "morally wrong and improper to impose upon the public by the sale of spurious goods." It added:

> "There are many wrongs which can only be righted through public prosecution, and for which the legislature, and not the courts, must provide a remedy."

In the instant case, the Second Circuit Appellate Court flatly took the precisely contrary view. It was persuaded (Tr., p. 11):

> "While a competitor may, generally speaking, take away all the customers of another that he can, there are means which he must not use. One of these is deceit." Also "to lie about the quality of one's wares" is deceitful and "unlawful since it subjects the seller to action by the buyer."

As stating the basis of a private right of action, not by the deceived buyer but by a stranger to the transaction, affected remotely, if at all, this plainly is fundamentally unsound. If, instead of saying that its chamberless safe had a chamber (which, according to the bill, it had not) the defendant had said, not as a matter of mere opinion but as a matter of fact, as thousands of other tradesmen say every day, that its safe was as good, or as durable, or as efficient as plaintiff's, or of practically the same construction (when in fact it was not) and had thereby promoted sales, there would have been the same factor of deceit and the same (assumed) factor of lost sales. But,

plainly, no court would spell out of such a transaction the basis for a private right of action by the plaintiff to enjoin such a misrepresentation and to recover for lost sales said to have resulted therefrom. Unless this be true, then probably from 50 to 90 per cent. of the tradesmen of the United States are to-day vested with causes of action of which heretofore they have not even dreamed.

As an abstract theory, an expression of what may, for want of a better name, be called high potential idealism, an effort to correct a minor form of commercial immorality, practiced, doubtless, since trade began, the lower Court's reasoning is understandable. The difficulty arises the moment we try to square it with commercial conditions.

Probably nine out of ten partisan and zealous tradesmen habitually draw the long bow with respect to their wares. A locally made hat is said to have been made in Paris and the Parisian hatters lose a sale. An inferior camera is said to be as good as, or the same as, a Kodak and the Eastman Company loses a sale. A radio set with carbon tubes is sold under the misrepresentation that the tubes contain thoriated tungsten filaments and one of the Radio Corporation's sets must stay on the shelf until a new purchaser comes along. Undeniably such deceits are wrong, but they have been practiced from time immemorial and doubtless will continue. Taken in gross they amount to a public nuisance and it is the public that suffers; out of all proportion to any suffering of the few tradesmen who could point to specific instances where such deceits were responsible for lost sales.

Obviously, it is within the competency of the public, through its legislators, to determine whether or not (and, if so, to what extent), such a public nuisance shall be abated. Neither in this country nor in England has such a right in the individual been recognized at common law.

As Mr. Justice Bradley said, in the *Rosendale Cement* case (*post*, p. 25),

> "to give a civil action to every honest dealer against every dishonest one engaged in the same trade would vex the courts and the country with an excess of multitudinous litigation."

It is interesting to note, with respect to these petty deceits of tradesmen, that in this country and in England the law of unfair competition went through the same development. In both it was early recognized that the tradesman had no property right in immunity from such deceits. He had such a right in his own identifying marks, symbols and the like and that right was, from early times, enforced with vigor. But as against misrepresentations by a competitor as to the *character* (not origin) of his wares (as by false claims concerning their construction or properties) he was not given a remedy by way of civil suit, since he had no property right which thus could be invaded.

Also, in both countries it was this condition of affairs which led eventually to what seems clearly to be the logical and proper method of reaching these petty deceits—*i. e.*, by governmental assumption of the burden. England was first to act. In 1862 it passed "The Merchandise Marks Act" (25 and 26 Vict., C. 88: Chit. Stat., 4th Ed., Vol. VI), later superseded by "The Merchandise Marks Act of 1887" (50 and 51 Vict., C. 28: Chit. Stat., 5th Ed., Vol. 12) now in force. As early as 1890 Mr. Justice Bradley (*Rosendale Cement* case, *post*, p. 25) called attention to the need of similar legislation here. Referring to these petty deceits (not involving infringement of trade marks or "palming off"), he said:

> "The public, of course, is deeply interested in their suppression, and if the laws are deficient, the

legislature might very justly intervene to prevent impositions of this kind by public prosecution of the offenders."

Ten years later Mr. Justice Day (then Circuit Judge), writing in the *Washboard* case, expressed the same view in unmistakable language (*post*, p. 31).

Later on the National Legislature acted upon (or at least in accordance with) this wise suggestion. Regarding these petty deceits as hostile to the public good and realizing that at common law they could not be reached by private actions, it undertook to control them by governmental agencies, whereby not only would a public nuisance be abated but effective relief granted to honest tradesmen.

It enacted the "Pure Food and Drugs Law." Under certain of the tax laws it required that foreign made goods be marked with the country of their origin. Finally, it passed the "Federal Trade Commission Act (Comp. St. Anno., 8836a *et seq.*). This act (particularly Section 5) determined the extent to which Congress was willing to go in supplementing the common law on the subject of unfair competition. So far as private rights and remedies are concerned, these were left just where they had been. Only such "unfair methods of competition" were provided for as were hostile to the public interest. A new governmental agency was erected and given jurisdiction over such offenses.

It was argued in the lower court that when, in the Federal Trade Commission Act, it was announced (Sec. 5) that "unfair methods of competition in commerce are hereby declared unlawful," this was "declaratory of the modern view of business morality and the generally accepted ideas of equity," and, by necessary inference, that it widened the scope of the common law action and, in particular, gave a private right of action where, previously, there was none. But this is not at all so (Tr., p. 11). As the bill was proposed, the words "unfair methods

of competition" were not defined but (initially) "left to the Commission for determination" (*Beech Nut* v. *Federal*, 264 Fed. 890). Said Judge Dennison, in *Silver* v. *Federal*, 289 Fed. 996, referring to the bill as it passed the Senate (not containing the "public interest" clause), "There was universal agreement, frequently expressed, that the bill was *not intended to reach private controversies between rival traders.*" Later on, to make this clear, the bill was amended so as to limit the proceedings thereunder to such as were in "the interest of the public" and, as so amended, the bill became law (p. 998).

In the *Royal Baking Powder* case (281 Fed. 744, C. C. A., 2nd Cir.), after considering the *Washboard* case, and stating the ruling thereof to the effect that, in the absence of palming off, a trader could have no private relief merely because his competitor misrepresented the construction of his product and so deceived buyers, the Court said:

> "The above case illustrates one of the reasons which led Congress to enact the statute creating the Federal Trade Commission, and making unfair methods of competition unlawful and empowering the commission to put an end to them. By that statute the identical situation which the court in the above case said it was beyond its power to suppress has been brought within the jurisdiction of the Federal Trade Commission—created to redress unfair methods of competition. *Before the enactment of the Federal Trade Commission Act the Courts appear to have had jurisdiction of an action for unfair competition only when a property right of the complainant had been invaded.* But the Federal Trade Commission Act gave authority to the Commission itself when it had reason to believe that any person, partnership or corporation was using any unfair method of competition in commerce, if it appeared to it that a proceeding by it

in respect thereof 'would be to the interest of the public' to bring such offending party before it to answer to its complaint and after a hearing could, upon good cause shown, require it to cease and desist from its unlawful methods."

And after considering the decision of this Court in the *Winsted Hosiery* case, the Court added:

> "It is now made plain that the statute has invested *the commission* with jurisdiction to order anyone who misrepresents the quality of his goods in his advertising to cease and desist from such unfair methods of competition."

Reference to the published reports of the Commission's activities shows that it has taken cognizance of, and has suppressed, a great variety of the petty deceits common in commercial life, including the particular type of deceit complained of in this case. See, for example:

Federal Trade Com. v. *Kay,* F. T. C. Dec., Vol. 7, p. 15.
Same v. *Greenbaum,* F. T. C. Dec., Vol. 7, p. 49.
Same v. *Barrett,* F. T. C. Dec., Vol. 7, p. 187.
Same v. *Pioneer,* F. T. C. Dec., Vol. 7, p. 316.
Same v. *Western,* F. T. C. Dec., Vol. 7, p. 322.
Same v. *Sifo,* F. T. C. Dec., Vol. 7, p. 327.
Same v. *Sassoff,* F. T. C. Dec., Vol. 7, p. 382.
Same v. *Durable,* F. T. C. Dec., Vol. 7, p. 426.
Same v. *Katz,* F. T. C. Dec., Vol. 7, p. 525.

Thus we have a logical, well balanced and fundamentally sound situation. For upwards of sixty years it has consistently been held that at common law there is no such thing as (Mr. Justice Bradley) "a civil action in every honest dealer against every dishonest dealer in the same trade." But the rights of the honest dealer have by

no means been ignored. Congress has come to his relief and has determined, as a matter of public policy, just how far he is to be protected and how the protection is to be afforded. When he has a property right, as in a trade-mark or symbol, he may sue for its invasion. Where he has not, but anticipates or realizes injury through a petty deceit of a competitor (such as misrepresentation as to the construction or quality of the competitor's goods) he may resort to the Federal Trade Commission which, if his cause be just, will require the competitor to cease and desist. He has no double remedy. He never had, in such a case, a private right of action, and when Congress established a special tribunal by which his case could be determined, that fact was recognized and such provision made for his protection as Congress deemed wise. And if he conceive that such protection is inadequate, his quarrel is not with the courts but with Congress.

The Making of New Law.

The opinion of the lower Court squarely admits, as, of course, the fact is, that its view of the law applicable to this case is in conflict not only with the English view but also with the American view as stated in the *Washboard* case. It concedes, again as the fact is, that "the law is with the defendant." It might have added, *en passant,* that it is under that law that the defendant and countless others have conducted their operations for many years. Yet, says the Court, the unfair trade law is plastic and "what was not reckoned an actionable wrong twenty-five years ago" (when, in the *Washboard* case, the English rule was first adopted and applied in American jurisprudence) "may have become such to-day." It is interesting to inquire what has been the change in conditions that could

justify the suggested scrapping of precedents and radical departure from a law so directly affecting our commercial life. The petty deceits of a quarter of a century ago are the petty deceits of to-day. The proneness of a tradesman to extol his wares beyond the point of truthfulness is just as great to-day as it was then. The stake is the same, the lure is the same and the result is the same. No man-made law is ever going to change these things essentially, for they obtain the world over and have since the days of Jacob and Esau. Even if it be admitted that there is more lying in the "selling talk" of to-day than there was twenty-five years ago, this still would be met by the fact that the volume of business is greater and that the amount of mendacious selling talk per dollar's worth of business done is practically the same as before.

It is impossible (for us, at least) to find any such change in conditions as would, in effect, make unlawful to-day what was lawful in 1900 and the lower Court points to no such change. On the other hand, it would seem that such change as *has* occurred makes directly the other way. The tradesman of 1900 and previously who was hurt by a competitor offering similar but inferior wares as "just as good" or "the same" as his, was forced to stand the hurt or, what is more likely, to retort in kind. From a legal standpoint he was without remedy. But since 1914 he has had, in the Federal Trade Commission Act, a powerful governmental agency at his back and all he need do is (as many other tradesmen have done) to call it into activity in his behalf. In other words, he has been given a basis of relief and not by the courts but, as should be, from Congress. If now, by a departure from time-honored precedents he be, by judicial grant, vested with a private right of action in addition, he will have, by way of a double remedy, not only that right but also, in an independent

proceeding, all the protection the Legislature thought he was entitled to.

We have no argument to make against the overturning of precedents that are outgrown. We merely urge, with all respect, that the fact of their being outgrown, and the conditions which require their abandonment, should first be made to appear with such clarity as thereafter to be free from doubt. Certainly this cannot be said in the present case. Nor is this a brief in behalf of commercial mendacity. We merely recognize a long existing practice, not to be corrected by the individual and certainly not by a stranger to the transaction concerned, but, if at all, by some such governmental agency as that to which such practice has now been referred, where the matter is such as to affect the public and this must apply to goods which the public buys if it applies to anything.

It seems to us that this effort to bring about a drastic and far-reaching change in the organic law quite ignores the underlying principle upon which heretofore suits for unfair trade have been entertained. No one doubts for a moment that a manufacturer who has suffered a direct and ascertainable injury through the imitation of his product by another, and its fraudulent "palming off" on the public, may have relief in equity. The injury in this case is peculiarly personal. The Court does not intervene for the purpose of protecting the public from further imposition, but solely because a personal and private property right of the manufacturer has been invaded. The cases so holding are too numerous and the doctrine itself too well recognized to require citation. Included are the cases in which, despite the fact of such invasion, relief has been withheld because of misrepresentation by the plaintiff (*California Co.* v. *Stearns,* 73 Fed. 812, C. C. A., 6th) and the resulting continuance of the deception of the public has been ignored. In no case of the class under

discussion, where the plaintiff was granted relief, could it truthfully be said that the whole of the injury was inflicted upon the plaintiff, for presumably the public was injured by the very deception by which the plaintiff was damaged. But the plaintiff's private right of action was sustained because of the direct and ascertainable invasion of his right of property.

Unfair competition in merchandising, actionable by a private individual for the protection of a property right vested in him, has invariably been limited strictly to cases characterized by deception of the public with respect to the *origin* of the goods sold—in other words, to "palming off" cases. And there are many vigorous expressions in the authorities to the effect that only such cases can be reached by an unfair trade proceeding.

In *Goodyear Co.* v. *Goodyear Co.*, 128 U. S. 604, the Court said:

> "The case at bar cannot be sustained as one to restrain unfair trade. Relief in such cases is granted only where the defendant, by his marks, signs, labels, or in other ways, represents to the public that the goods sold by him are those manufactured or produced by the plaintiff, thus palming off his goods for those of a different manufacturer, to the injury of the plaintiff. *McLean* v. *Fleming*, 96 U. S. 245; *Sawyer* v. *Horn*, 4 Hughes 239; *Perry* v. *Truefitt*, 6 Beav. 66; *Croft* v. *Day*, 7 Beav. 84. There is no proof of any attempt of the defendant to represent the goods manufactured and sold by him as those manufactured and sold by the plaintiff; but, on the contrary, the record shows a persistent effort on its part to call the attention of the public to its own manufactured goods, and the places where they are to be had, and that it had no connection with the plaintiff."

In *Howe Co.* v. *Wyckoff,* 198 U. S. 118, 141, the Court said:

> "The essence of the wrong in unfair competition consists in the sale of the goods of one manufacturer or vendor for those of another; and if defendant so conducts its business as not to palm off its goods as those of complainant, the action fails."

In *Standard Paint Co.* v. *Trinidad Asphalt Mfg. Co.,* 220 U. S. 446, decided in 1910, the Court said at page 461:

> "It is true that the manufacturer of particular goods is entitled to protection of the reputation they have acquired against unfair dealing, whether there be a technical trademark or not; but the essence of such a wrong consists in the sale of the goods of one manufacturer or vendor for those of another" (citing *Elgin Nat. Watch Co.* v. *Illinois Watch Co.,* 179 U. S. 665).

In June, 1924, this Court decided *William R. Warner & Co.* v. *Eli Lilly & Co.,* 265 U. S. 526, 44 Sup. Ct. Rep. 615, upon the same test of "palming off" (pp. 531-532), saying, "The wrong is in the sale of the goods of one manufacturer as those of another."

As late as April, 1924, the Circuit Court of Appeals which decided the instant case seemed thoroughly committed to this doctrine which had so often been announced by this Court (*Charles Broadway Rouss, Inc.* v. *Winchester Co.,* 300 Fed. 706, 715, 716, 723).

In 1917 the New York Court of Appeals repeated and applied the test so often approved by this Court:

> "The doctrine of unfair trade amounts to no more than this: One person has no right to sell goods as the goods of another, nor to do business as the business of another, and on proper showing will be restrained from so doing."

White Studio, Inc. v. *Dreyfoos,* 221 N. Y. 46, 49.

And in that case the Court held that so much of the complaint as alleged that defendants reproduced photographs of persons taken by plaintiff, placing thereon *defendants'* trade name "Apeda" (see same case, 156 App. Div. 762), did not state a cause of action (221 N. Y., at p. 48).

In March, 1925, that Court was still adhering to that test, for in *Buffalo Typewriter Exchange* v. *McGarl,* 240 N. Y. 113, in reversing a decree for plaintiff, it said (p. 117):

> "The most that can be said is that McGarl, after he sold his stock, engaged in a similar business, which he had a perfect right to do so long as he did not resort to any artifice, fraud or misrepresentation *that the business he was carrying on was that of the plaintiff's.* * * * No effort was made to show that anyone had been confused as to the two corporations or had believed that the defendant corporation was the plaintiff."

To the same effect, see *Butterfield & Co.* v. *Abraham & Straus,* 212 App. Div. 384, 387 (1925).

In *Westcott Chuck Co.* v. *Oneida Co.,* 122 App. Div. 267, the Court said:

> "If the defendant misrepresented the quality of its wares its liability is to the purchaser who was thereby defrauded. But no redress on that ground exists in favor of this plaintiff. As to the latter the utmost inquiry is merely whether or not defendant by any improper method has deceived or rendered it possible to deceive a purchaser into believing that the article sold by the defendant was the article of the plaintiff."

In all these "palming off" cases, where relief was granted, it was granted because, fundamentally, (*a*) of

the peculiar personal property right of the plaintiff, and (*b*) of the fraudulent misrepresentation as to the *origin of the goods* which the defendant sold (for without such misrepresentation of origin there could, obviously, be no palming off). The Courts have never departed from the doctrine of law as stated in the above cases. The nearest approach to a departure concerned, not the matter of the personal property right of the plaintiff, but the meaning of "palming off." In the "news ticker" case (*International News Service* v. *Associated Press,* 248 U. S. 215), the defendant was enjoined, not for passing off its own news as plaintiff's, but for passing off the plaintiff's news as its own. Of course, this was not a real departure. There were still present the two factors above mentioned, *i. e.,* the personal property right of the plaintiff in its own product and the fraudulent misrepresentation by the defendant of the *origin* of the product which it sold. Within this class of cases fall practically all of the cases cited by the plaintiff in the Court below, including, for example, the case of *Montegut* v. *Hickson, Inc.,* 178 App. Div. 94. There, the plaintiff had a direct personal interest in his gowns, and was liable to direct personal loss and damage by their imitation. Essentially, defendant's act in removing the plaintiff's marks and in exhibiting the gowns as its own was a misrepresentation as to *origin.* The Court granted the plaintiff relief, but stated, in plain terms, "*We are not concerned with the fraud practiced by the defendant on its own customers.*" The same two factors were present in the "Aunt Jemima Mills" case, decided by the Appellate Court for the Second Circuit (247 Fed. 407). Although the plaintiff had used "Aunt Jemima" only on flour and the defendant was using it only on corn syrup, the cause of action was sustained solely on the ground that (p. 410)

> "The public, or a large part of it, seeing this trademark on a syrup, would conclude that it was made by the complainant."

In the case at bar, concededly there was no misrepresentation as to the origin of the safes which defendant sold. They were (Tr., p. 4) sold as defendant's safes, they bore the defendant's name and address, and no buyer believed, or was given reason to believe, that they were of plaintiff's production. So that, even apart from the *Washboard* case, and referring now only to the repeated pronouncements of this Court, there being no deception as to origin, defendant's sales were, so far as this plaintiff is concerned, within the law. There was not even the more or less common opportunity for deception as to origin by a jobber, for not only were the safes plainly labeled but they were sold direct by the defendant to the users.

We submit, with respect, that this case presents no occasion or necessity for such a departure from long-established principles and authorities as the ruling below would work. As we see it, plainly the plaintiff has proceeded in the wrong forum. It should have brought its case (and may still do so) before the Federal Trade Commission. This would be so even if it were true, as it is not, that the plaintiff was the sole occupant of the chamber safe field. Among the evils, such as the multiplication of vexatious litigation, which such a departure would work, we should expect to find attempts to bolster up activities established under patents which have since expired. According to the prayer of the bill this case presents such an attempt.

The ruling of the lower Court should, we submit, be reversed.

Respectfully submitted,

SAMUEL OWEN EDMONDS,
Counsel for Petitioner-Defendant.

New York, October 30, 1926.

APPENDIX.

Quotations from Certain of the Authorities.

The earliest pertinent authority is the English case of *Batty* v. *Hill*, 71 Eng. Reports 115. The parties were pickle merchants. The plaintiff had won a "prize medal" for his goods at an exhibition. The defendant marked his product "Prize Medal" when, in fact, he had obtained no such award. The plaintiff alleged high reputation of his goods, the false marking by the defendant and loss of sales. Apparently, also, "palming off" was alleged, but this issue was decided against the plaintiff, leaving only the question as to misrepresentation to the public.

Vice-Chancellor Sir W. Page Wood said (p. 117):

> "On the question of balance of convenience I should be decidedly in favour of the Plaintiff; the inconvenience to the Defendant would be merely the necessity of telling the truth. It is, however, no part of the duty of this Court to enforce the observance of the dictates of morality; and though the old maxim, 'Rem facias, rem, Si possis, recte; si non, quocunque modo, rem' (Hor. Ep. I., i. 65), seems to apply in full force to modern times, I can only interfere when some private right is thereby infringed.
>
> * * * * * *
>
> But, as I have come to the conclusion that there is no substance whatever in the charge of a previous attempt to pass off the Defendant's goods as the Plaintiff's, I must deal with the present case without the only element which would enable me to make the order which is now applied for."

After stating that the labels of the parties were different, the Vice-Chancellor continued:

> "but then he (defendant) has superadded to those labels this representation, which the Plaintiff has also added to his; the difference being that the representation is true on the part of the Plaintiff, false on that of the Defendant. On that point there arises, as I have said, a presumption against the Defendant; but he must be held entitled to use these labels, false though they be, if they do not interfere with the Plaintiff's rights.
>
> * * * * * *
>
> It is obvious that this Court cannot interfere simply on the ground that this is a misrepresentation; and accordingly the Plaintiff's counsel have relied upon a supposed special property in these words, vested, either in Plaintiff personally, or in all the persons who have really obtained prize medals.
>
> * * * * * *
>
> I have here merely the fact that two persons have put the same mark on their goods, the one rightly, the other falsely.
>
> I can make no order on this motion."

It is interesting to observe that the report of this case is followed by the editorial note:

> "Since this judgment was delivered, and partly in consequence thereof, a special Act of Parliament (1) has been passed for the prevention of this particular fraud."

This doubtless refers to "The Exhibition Models Act," 1863, 26 and 27 Vict., C. 119. Related legislation was "The Merchandise Marks Act of 1862" which was superseded by "The Merchandise Marks Act of 1887," relating to the application of "any false description to goods," etc., which act is still in force (*ante,* p. 11).

A later English case is *Tallerman* v. *Dowsing Radiant Heat Co.,* 1 Ch. 1 (1900). Motion was made for inter-

locutory injunction to restrain defendant from falsely applying to his system of hot-air treatment notices, testimonials, etc., originally written in favor of plaintiff's system.

Sterling, J., said, p. 5:

> "The statements complained of are, to say the least, inaccurate. * * * The case, however, is admitted not to be one in which the defendants are seeking to pass off their treatment or apparatus as and for the plaintiff's. Neither can it be said that their pamphlets contain false statements as to the plaintiff's business; the false statements relate to the defendant's business."

On the authority of *Batty* v. *Hill* (*supra*), the motion was denied.

The first pertinent American authority is the decision of Mr. Justice Bradley in *New York & Rosendale Cement Co.* v. *Coplay Cement Co.*, 44 Fed. 277. The complainants manufactured hydraulic cement at Rosendale, N. Y. The defendant manufactured common, natural cement in Lehigh County, Pa., but sold it as "Rosendale" cement. Mr. Justice Bradley said:

> "Though it be conceded that the name 'Rosendale Cement' is understood by the public as designating the place where it is made and comes from, and that the defendants untruly call their cement by that name, the question still remains whether they can be prosecuted therefor, *at the suit of a private party,* who is only one of the many who manufacture cement at Rosendale, and truly denominate their cement 'Rosendale Cement.' Would not the allowance of such an action be carrying the doctrine of liability for unfair competition in business too far? The counsel for the complainants frankly concedes that the principle for which he contends

Italics ours throughout.

would enable any crockery merchant of Dresden or elsewhere, interested in the particular trade, to sue a dealer of New York or Philadelphia who should sell an article as Dresden china when it is not Dresden china. It seems to us that this would open a Pandora's box of vexatious litigation. A dry-goods merchant, selling an article of linen as Irish linen, could be sued by all the haberdashers of Ireland, and all the linen dealers of the United States. No doubt the sale of spurious goods, or holding them out to be different from what they are, is a great evil, and an immoral, if not an illegal, act; but unless there is an invasion of some trade-mark, or trade-name, or peculiarity of style, in which some person has a right of property, the only persons legally entitled to judicial redress would seem to be those who are imposed upon by such pretenses. The public, of course, is deeply interested in their suppression, and if the laws are deficient, the legislature might very justly intervene to prevent impositions of this kind by public prosecution of the offenders; but *to give a civil action to every honest dealer against every dishonest one engaged in the same trade would vex the courts and the country with an excess of multitudinous litigation.* The law furnishes us with an instructive analogy on this subject. No man can maintain a private action for a public nuisance, though he is injured by it, unless his injury is of a special character, different from that which is sustained by the public generally. *This is a sound rule of the common law. It is intended to prevent vexatious litigation.* When an injury is a public one it should be prosecuted as a public wrong. So here the wrong, if there is one, is committed against the public. If it be said that the cement manufacturers of Rosendale are specially injured, because their trade is affected, it may be properly answered that they are all injured alike. It is a public injury as to them, just as it would be to all the dealers in linen for a man to sell as Irish linen fabrics that

> are not such. It is a damage to the complainants and the other cement manufacturers of Rosendale for the defendants to sell their cement as Rosendale cement, but, like many other cases of damage, in our judgment, it is of that kind which the law calls *damnum absque injuria. The defendants may lay themselves open to prosecution by their customers, or possibly by the state, if they are guilty of falsely selling their cement as of a class or sort to which it does not belong, but that is no reason for sustaining an action against them at the suit of those who deal in such cement.*"

In *American Washboard Co.* v. *Saginaw Mfg. Co.*, 103 Fed. 281, the decision was by (then) Circuit Judges (later Justices) Taft, Lurton and Day, Judge Day writing. This oft-cited case has for many years been recognized as one of the great landmarks in the development of the law of unfair competition. The facts are fully stated in the opinion, for which reason we quote extensively therefrom. The Court said:

> "A brief summary of the bill shows that it contains the following statements: That the complainant is engaged in the manufacture and sale of washboards. That its goods enjoy a high reputation in the market of the United States and elsewhere, having been sold in large quantities. That the superior quality of the washboard so manufactured and sold by complainant had acquired a high reputation with the public. That the complainant, at some date prior to the date of the wrongs complained of in the bill (the exact time not being stated), had devised and manufactured a washboard, the rubbing face of which was made of aluminum. That said metal, on account of its cost, was regarded as one of the precious metals. That its capacity and adaptability to said purpose was unknown up to and at the time complainant adopted it, and by a trial and test showed its adaptability

for that purpose. That, the word 'Aluminum' never having been used in connection with or applied to a washboard, complainant adopted the word as a trade-mark or trade-name for its aluminum washboards, * * * and stenciled the name on each washboard, which trade-mark or trade-name it has since continuously used to its great benefit and advantage. The public has recognized the fitness of the name, the exclusive right of complainant thereto, and said complainant has made large sales of boards thus branded, and has demonstrated the capability of such washboards. Complainant made only the rubbing face of such washboards of pure aluminum, so that purchasers have come to know or distinguish them by that name; and, but for the illegal acts of defendant, washboards so branded would be recognized as containing a rubbing face of pure aluminum. That complainant, upon entering upon the manufacture of such washboards, made a contract with the Pittsburg Reduction Company, which is a large producer of aluminum, and the only producer of said metal in the United States, whereby it contracted for and purchased and has acquired and will continue to acquire *the entire output of sheet aluminum suitable for forming the rubbing sheets of washboards produced or on sale in the United States.* That by extensive advertising it built up its present business. That it has expended large sums of money and much time in introducing such washboard under such trade-name. Complainant avers that defendant, well knowing the facts set forth in the bill, has been and now is engaged in the manufacture of washboards in the Eastern District of Michigan and elsewhere, which are branded 'Aluminum,' advertised by said defendant as aluminum, and sold under that name. That said washboards are not made of aluminum in any part. That in fact no ascertainable quantity is used in the manufacture, particularly in the rubbing sheet thereof. That, being thus branded with the word 'Aluminum,' and

so advertised, purchasers and users are induced to believe that the rubbing sheet is made of aluminum, and induced to buy them from that belief. The fact is that the rubbing sheet of said washboard is made of zinc, long used for such purpose, and containing no aluminum. The washboards manufactured by defendant are approximately the same size and shape as complainant's, and being branded with the word 'Aluminum' further tends to mislead purchasers, 'so that, when intending to purchase a genuine article (of which complainant is the sole manufacturer), they are led to purchase a fraudulent and falsely branded article of defendant's manufacture, to the great and irreparable injury of your orator therein, as also to the great and lasting injury of the public.' And further complainant says it has a right to represent truthfully the quality of its manufacturer by the word 'Aluminum'; that so long as it continues to be *the sole manufacturer of washboards made of pure aluminum,* as it expects to continue to be, it has a right to the exclusive use of said name as a trade-mark or trade-name for a washboard, especially as against *defendant's misleading use of the same word.* The bill prays for the protection of complainant's alleged exclusive right.

The question presented is, is the case thus stated one which entitles complainant to a remedy by injunction and accounting against the defendants? There are numerous cases in the reports upon the subject of unfair competition in trade. From the general principle running through them all it may be said that when one has established a trade or business in which he has used a particular device, symbol, or name so that it has become known in trade as a designation of such person's goods, equity will protect him in the use thereof. Such person has a right to complain when another adopts this symbol or manner of marking his goods so as to mislead the public into purchasing the same *as and for the goods of complainant.* Plaintiff comes

into a court of equity in such cases for the protection of his property rights. The private action is given, *not for the benefit of the public,* although that may be its incidental effect, but because of the invasion by defendant of that which is the exclusive property of complainant.

* * * * * *

* * * we do not find it anywhere averred that the defendant, by means of its imitation of complainant's trade-mark, is palming off its goods on the public as and for the goods of complainant. The bill is not predicated upon that theory. *It undertakes to make a case, not because the defendant is selling its goods as and for the goods of complainant, but because it is the manufacturer of a genuine aluminum board, and the defendant is deceiving the public by selling to it a board not made of aluminum, although falsely branded as such,* being in fact a board made of zinc material; that is to say, the theory of the case seems to be that complainant, manufacturing a genuine aluminum board, has *a right to enjoin others* from branding any board 'Aluminum' not so in fact, although there is no attempt on the part of such wrongdoer to impose upon the public the belief that the goods thus manufactured are the goods of complainant. We are not referred to any case going to the length required to support such a bill. *It loses sight of the thoroughly established principle that the private right of action in such cases is not based upon fraud or imposition upon the public, but is maintained solely for the protection of the property rights of complainant. It is true that in these cases it is an important factor that the public are deceived, but it is only where this deception induces the public to buy the goods as those of complainant that a private right of action arises.* In the case of *Leather Cloth Co.* v. *American Leather Cloth Co.,* 4 De Gex, J. & S. 137, 11 H. L. Cas. 523, Lord Chancellor Westbury said:

'Imposition on the public, occasioned by one man selling his goods as the goods of another, cannot be ground of private action or suit.' * * *

It is doubtless morally wrong and improper to impose upon the public by the sale of spurious goods, but *this does not give rise to a private right of action* unless the property rights of the plaintiff are thereby invaded. There are many wrongs which can only be righted through public prosecution, and for which the legislature, and not the courts, must provide a remedy. Courts of equity, in granting relief by injunction, are concerned with the property rights of complainant. * * *

If the doctrine contended for by complainant in this case was to be carried to its legitimate results, we should, as suggested by Mr. Justice Bradley in the case of *New York & R. Cement Co.* v. *Coplay Cement Co.* (C. C.), 44 Fed. 277, open a Pandora's box of litigation. A person who undertook to manufacture a genuine article could suppress the business of all untruthful dealers, although they were in no wise undertaking to pirate his trade. * * *

Take the metal which is the subject-matter of the controversy in this case. Many articles are now being put upon the market under the name of aluminum, because of the attractive qualities of that metal, which are not made of pure aluminum, yet they answer the purpose for which they are made and are useful. Can it be that the courts have the power to suppress such trade at the instance of others starting in the same business who use only pure aluminum? There is a widespread suspicion that many articles sold as being manufactured of wool are not entirely made of that material. Can it be that a dealer who should make such articles only of pure wool could invoke the equitable jurisdiction of the courts to suppress the trade and business of all persons whose goods may deceive the public? We find no such authority in the books, and are clear in the opinion that, if the doctrine is to be thus extended, and all persons

> compelled to deal solely in goods which are exactly what they are represented to be, *the remedy must come from the legislature, and not from the courts.* * * *
>
> Nor do we find anything in the allegations of the bill as to complainant's monopoly in the use of the metal aluminum for washboard purposes which would extend its rights. We are not referred to any case, nor can we think of any reason why one who has obtained a monopoly in the material of which his goods are made should have any broader rights in protecting his trade-name than another who is engaged in competition in the same line of business."

In *Armstrong Cork Co.* v. *Ringwalt Linoleum Works*, 235 Fed. 458, the several complainants manufactured 54 per cent. of the linoleum produced in the United States. The defendant was charged with making and selling "an inferior, cheap and spurious product" as linoleum. Judge Rellstab said (p. 460):

> "The gravamen of the charge is that the defendant is making and vending a spurious article, and deceiving the public into buying it as genuine, with the result that the genuine article is discredited in reputation, and that the plaintiffs, who make and sell only the genuine article, are damaged. Such damages, however, are not the result of any attacks upon the property rights of the plaintiffs, and a right of action of the kind here pressed lies only when a property right has been invaded. Canal Company v. Clark, 13 Wall. (80 U. S.) 311, 20 L. Ed. 581; Goodyear India Rubber Glove Mfg. Co. v. Goodyear Rubber Co., 128 U. S. 604, 9 Sup. Ct. 166, 32 L. Ed. 535; Brown Chemical Co. v. Meyer, 139 U. S. 544, 11 Sup. Ct. 625, 35 L. Ed. 247; Elgin National Watch Co. v. Ill. Watch Co., 179 U. S. 665, 21 Sup. Ct. 270, 45 L. Ed. 365; and American

> Washboard Co. v. Saginaw Mfg. Co., 103 Fed. 281, 43 C. C. A. 233, 50 L. R. A. 609."

The Court then quoted extensively from the *Washboard* case (*supra*), saying that it "furnishes the law controlling the case at bar" and "has been frequently cited with approval."

On appeal, the Appellate Court for the Third Circuit "expressed no present opinion" on the question involved, and entered a perfunctory order of reversal (240 Fed. 1022) accompanied by what was plainly a practical suggestion to the plaintiffs to take the case before the Federal Trade Commission. This was done (F. T. C. Decisions, Vol. 1, p. 436). The respondent "declined to introduce any testimony" and the usual order to cease and desist was the result.

In *Borden Ice Cream Co.* v. *Borden's Condensed Milk Co.*, 201 Fed. 510 (C. C. A. 7th), the complainant, who used "Borden" in connection with milk, sought to enjoin defendant from using the same name in connection with ice cream. The Court (Judges Baker, Seaman and Carpenter) said:

> "Doubtless it is morally wrong for a person to proclaim, or even intimate, that his goods are manufactured by some other and well known concern; but this does not give rise to a private right of action, unless the property rights of that concern are interfered with. The use by the new company of the name 'Borden' may have been with fraudulent intent; and, even assuming that it was, the trial court had no right to interfere, unless the property rights of the old company were jeopardized. Nothing else being shown, a court of equity cannot punish an unorthodox or immoral, or even dishonest, trader; it cannot enforce as such the police power of the state."

In *Borden's Condensed Milk Co.* v. *Horlick's Malted Milk Co.*, 206 Fed. 949, the controversy arose over the defendant's expression "original and only genuine" malted milk. The Court said:

> "The question is therefore directly presented whether the claim of priority of original manufacture, and the extravagant and untruthful claim of a manufacturer or dealer that *his* goods are the original and only genuine, can be judicially determined to be tortious, constituting an invasion of the business and trade rights of another, to be restrained by injunction. It is urged that, when the defendant asserts to the trade that its product is the original and only genuine product, the necessary implication is that all others, including the complainant, are making an imitation, therefore a spurious and deleterious article. * * *
>
> Now, if each party is entitled to make and does make malted milk, is the claim by one that its product is the original, the only genuine, malted milk, an invasion of the *property rights* of the other, because of the possible implied charge therein that the latter's is *not* original or genuine, when the method or formula for manufacture is not protected as a patent right, when anyone has the right to pursue any formula of manufacture according to which the product may in fact be made? If A. discovers a formula for making a new product, the product, when so made, may in a certain sense be said to be the 'original' or the 'only genuine.' But, if later, by another formula, the same, or possibly a similar, product, which, as here, may rightfully be called by the same name, may be manufactured, it does not follow that the latter manufacturer, in advertising his product to be the 'original,' the 'genuine,' is invading the former's *property rights*. *He may be making exaggerated and false claims, he may be ascribing to himself and his products virtues which neither possesses, but he has not taken anything from his rival, any more than one*

competitor may take from another in an appeal to the public. He has made no representation whereby his goods are taken as and for the goods of his rival, nor whereby the public is induced to believe that his goods possess qualities whose bestowal upon the goods rests with the rival, as a peculiar property right."

In *Rathbone* v. *Champion Co.*, 189 Fed. 26, 30 *et seq.* (C. C. A., 6th Circuit), the defendant was charged with imitating the plaintiff's stove repair parts and selling the imitations to the public. The Court (Knappen, C. J.) referred to *Goodyear Co.* v. *Goodyear Co.* and *Howe Scale Co.* v. *Wyckoff* (*supra*), saying:

> "The rule is well settled that nothing less than conduct tending to pass off one man's merchandise or business as that of another will constitute unfair competition."

The Court also referred to the decision in *American Washboard Co.* v. *Saginaw,* commenting on this as holding

> "that the fact even that the defendant deceives the public as to his goods by fraudulent means does not give a right of action unless it results in the sale of such goods as those of the complainant."

The Court added:

> "Our conclusion then, in substance, is that complainant has failed to establish a case of unfair competition, for lack of proof that defendant has palmed off its goods upon the public as the goods of complainant. In our opinion, defendant's intent, as shown by the record, in copying complainant's cut and patterns, was not to derive a benefit from complainant's name and reputation, but to avail itself of a design which, by imitating it, defendant has confessed is attractive and desirable. Defendant's intent is, of course, not material where

the necessary result of the act is to commit legal wrong. But, where neither such natural result nor such actual intent exists, unfair competition is not made out. Royal Baking Powder Co. v. Royal, 122 Fed. 345, 58 C. C. A. 499; Lawrence Mfg. Co. v. Tennessee Mfg. Co., 138 U. S. 537, 549, 551, 11 Sup. Ct. 396, 34 L. Ed. 997; Globe-Wernicke Co. v. Fred Macey Co., 119 Fed. 703-704, 56 C. C. A. 304."

Supreme Court of the United States

OCTOBER TERM, 1926.

THE MOSLER SAFE COMPANY,
Petitioner (Defendant),
vs.
ELY-NORRIS SAFE COMPANY,
Respondent (Plaintiff).

No. 94.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

SAMUEL OWEN EDMONDS,
Counsel for Petitioner.

The Hecla Press, 57 Warren St., N. Y. Tel. Walker 1480.

TABLE OF CASES.

Supreme Court of the United States

October Term, 1926.

The Mosler Safe Company, Petitioner (Defendant), vs. Ely-Norris Safe Company, Respondent (Plaintiff).	No. 94.

PETITIONER'S REPLY TO RESPONDENT'S BRIEF.

It is to be regretted that plaintiff, in briefing the case, has deemed it necessary to bolster up the averments of the bill by referring to alleged facts which the bill does not even suggest and which happen not to be facts at all. For example:

(a) The bill does not aver, nor is it true, that (Res. Brief, pp. 5-6) "The bankers are confirmed believers in the explosion chamber safe" and will not buy safes save such as are represented to have explosion chambers. In the entire City of New York it is more than doubtful if a single safe of this type could be, or ever could have been, found.

(b) The bill does not aver, nor is it true, that (Res. Brief, p. 5) "The purchaser cannot determine for himself whether there is a real explosion chamber or not without destroying the brass band

and permanently defacing the safe door." With a simple hand drill, and no defacement, the fact can be determined in sixty seconds.

(c) No question of price-cutting (Res. Brief, p. 5) is involved. Had there been any such practice on defendant's part, unquestionably plaintiff would have been quick to allege it in the bill.

Plaintiff's insistence on bringing these additional factors into the case seems plainly to indicate a lack of conviction that the bill, as it stands, states a cause of action. If the Court were willing to go outside the transcript at all, this could most profitably be done, we think, by a reference to the plaintiff's patents,* if for no other reason than to clear up confusion of plaintiff's own making. Thus, we are concerned with what is called an "explosion chamber." According to the bill (our main brief, pp. 3, 4) the plaintiff patented and employs a "new and distinctive" form of chamber. Also, according to the bill, the defendant originally employed "*such* an explosion chamber." Then, the pleader avers, defendant made and sold safes represented as having "*an* explosion chamber." Now (Res. Brief, p. 5) we have a new expression, *i. e.*, a "*real* explosion chamber." If the Court will refer to the plaintiff's main patent No. 827,351, it will at once see that the patented chamber is one which is expressly claimed as being "open at its periphery." The junior patent No. 909,568 discloses and claims a chamber which is *closed* at its periphery. Plaintiff's safe is said to have been made under these patents, but obviously this cannot be, since a chamber cannot be both open and closed. The question then arises, which (to use plaintiff's latest expression) is the "*real* explosion chamber." Also, when plaintiff charges that defendant

* These are public records and, therefore, open to the Court whether produced by the parties or not.

sold safes not containing "*any* explosion chamber," does it mean that those safes, represented as containing "*an* explosion chamber," did not contain what it now terms a "*real* explosion chamber," and also, since the patents covered essentially different chambers, by what yardstick is "realness" to be measured?

These questions are perplexing, but if the Court accepts the view expressed at page 7 of our main brief, then there is no occasion to answer them. The plaintiff's patents and what the plaintiff did under their protection (while they lasted), however pertinent in the co-pending (infringement) suit, do not support the plaintiff's position in the present suit in the slightest degree. If any useful purpose may be so served here, it is to show how narrowly restricted was any monopoly the plaintiff ever had in the chamber safe field. On this matter, the bill of complaint and the opposing brief are in direct conflict. According to Sections III and IV of the former, as pointed out at page 3 of our main brief, such monopoly as the plaintiff may have had (when the patents were alive) was limited to safes having a peculiar construction of chamber. If this express averment of the bill were not enough, reference to the patents themselves would quickly establish the fact, and *it is upon the patent monopoly that plaintiff depends* according to page 1 of its brief (see "By reason of these patents," etc.). But, in defiance of its pleading, plaintiff now asserts (Res. Brief, p. 2) that "the plaintiff was the sole lawful source of explosion chamber safes *of any kind*," and practically the same, wholly unsupported, statement recurs elsewhere in the brief.

Now the bill does not assert that defendant's metal band safe (second half of Sec. IV) contained plaintiff's peculiar and patented chamber. What is more important for present purposes, it does not assert that defendant ever represented this safe as containing that peculiar chamber—the

only chamber as to which, according to the bill, the plaintiff ever had a monopoly. All that is charged is that defendant represented this safe as containing "*an* explosion chamber." Quite obviously, it is this fact that has led the plaintiff to assert, in defiance of the plain terms of the bill, that its monopoly extended to "explosion chamber safes *of any kind.*"

Again, regardless of the scope of plaintiff's alleged monopoly and referring again to its assertion (above noted) that it is "by reason of these patents" that it had any monopoly at all, we again revert to the fact that fourteen months before the bill was filed, its first (and, therefore, presumably, its main) patent had expired, and upon such expiration, of course, any monopoly which the plaintiff may have had under its terms came to an end. Before that, the chamber safe field generally, outside of plaintiff's inventions, was, of course, open to the public. After that, even plaintiff's peculiar "novel and distinctive" form of chamber safe which the expired patent had covered also became, as it is to-day, open to the public, including this defendant. This was the situation when the bill was filed. It will not do to say, as plaintiff says (Res. Brief, pp. 2-3), that the bill "relates back to August, 1922," because, in a previously filed bill of complaint, plaintiff then brought up this question of unfair trade. Neither this statement nor the previously filed bill is before the Court. What *is* before the Court is the present bill, as set forth in the transcript, and this shows plainly, despite the name given it by plaintiff,* that it is, in no sense, an amended bill, but an original bill. As such, the case cited at page 3 of respondent's brief (*Seaboard* v. *Renn*) has no application. Consequently, since plaintiff sets up only a patent

* "But this Court is not concluded by a phrase. * * * The decrees are not in fact *pro forma*, and do not become so by having a label put on them" (*Hubbell* v. *General*, 267 Fed. 564-568).

monopoly, and since that monopoly, or, to say the least, a substantial part of it had, under the law, ceased to exist prior to the time when the suit now before the Court was brought, it is difficult, if not impossible, to see how plaintiff's position can be maintained or strengthened by such part of the monopoly (if any) as thereafter remained.

The foregoing explanation seems to us to have been made necessary by our opponent's excursions outside of the record. We shall be quite satisfied if the Court will consider only the case as it appears in the transcript, ignoring all suggestions made by either side which are *de hors* the record. This applies with peculiar force to the three pages of respondent's brief under the heading "The Business Situation," pages 4 *et seq.*

It seems to us that the case, as the Court will consider it, presents these essentials:

> (a) The plaintiff never, at any time, had or claims to have had anything more than a *patent* monopoly.
>
> (b) Down to a time fourteen months before the bill was filed, that patent monopoly rested upon two patents. When the bill was filed, the patent monopoly, if any, rested upon the junior patent, the invention of the senior patent being open to the public.
>
> (c) Plaintiff, according to the express terms of the bill, had at no time any rights, and it claims no rights, by patent monopoly or otherwise, with respect to explosion chamber safes except such as contained its peculiar (patented) explosion chamber.
>
> (d) If the plaintiff had any rights which survived the expiration of its patent or patents, they

could not, in the nature of things, have concerned anything more than the peculiar explosion chamber of such patent or patents, and even such rights would have been in derogation of the rights of the public.

(e) But if we assume that plaintiff did have such rights, then the only misrepresentation which the defendant could have made to its customers, affecting those rights, would have been the misrepresentation that defendant's safes contained the peculiar explosive chamber to which plaintiff's rights were limited.

(f) Plaintiff makes no claim that defendant ever made any such misrepresentation. All that it does claim is that defendant violated its rights in its peculiar explosion chamber by the misrepresentation that defendant's safe contained "*an* explosion chamber."

We submit that if, as a matter of fact (which we are not now at liberty to controvert), the defendant made the only misrepresentation which the bill charges, no private property right of the plaintiff was thereby invaded. At most, there might be an invasion of a right vested in defendant's vendees, but with this the plaintiff could not be concerned, since, as the lower Court said (Tr., p. 12), "the law does not allow him to sue as a vicarious avenger of defendant's customers."

Respondent's main argument seems to be that the position taken in our former brief, that unfair competition, actionable by a private individual, exists only when there is deception as to the origin of the goods sold and a consequent invasion of a private property right is "out of accord with the text-writers and the decisions." We think this

cannot be, and is not, supported by the citations. The text-writers, at least to the extent to which they are quoted, deal chiefly in carefully guarded generalities, and none of these is inconsistent with the thought that privately actionable unfair trade exists only under the condition above stated. As to respondent's decisions in unfair competition cases, these were rendered in suits where deception as to origin ("palming off") had been found and, after such finding, language used which, separated from its context, is now found quotable here. This was true of *Stieff* v. *Bing,* which turned on the question of defendant's imitation of plaintiff's toys. *Dennison* v. *Thomas, Heinisch* v. *Boker, Estes* v. *Frost,* also involved "palming off." This Court's decision in the *International News Service* case turned on the same point. The defendant had palmed off plaintiff's news as its own, this involving a deception as to origin. In *Montegut* v. *Hickson,* as in the *News Service* case, the defendant palmed off the plaintiff's goods as its own. In *Vogue Co.* v. *Thompson,* the controlling point was fear of deception as to origin.

None of these cases is inconsistent with our position as above and in our main brief expressed. If the defendant had sold its safes as plaintiff's safes (*Estes* case, for example), or plaintiff's safes as its own (*New Ticker* case, for example), the cause of action would be clear, for in either case there would have been invasion of a private right of property by the deception as to origin. But there can be no such invasion by mere misdescription as to the quality or construction of one's own wares, and no court has ever said that there can. The private property right of a tradesman which plaintiff seeks now to expand far beyond anything previously recognized or even contemplated is purely and wholly a right to immunity from such acts by a competitor as would destroy or injure his identity with his product, for it is of this that all honest

tradesmen are proud, and it is this which, very properly, they endeavor to make remunerative. There has, of course, been no invasion of such a property right by this defendant. It sold its safes as its own and is prepared to stand behind them, particularly with respect to any questions raised by its customers.

Finally, if, as respondent asserts (Res. Brief, p. 28), the public interest is involved in this case, then the proper place for the controversy is the trial room of the Federal Trade Commission, a body created by law for determining precisely such controversies.

Respectfully submitted,

SAMUEL OWEN EDMONDS,
Counsel for Petitioner-Defendant.

New York, December 30, 1926.

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No. 1143 [redacted]

IN THE

Supreme Court of the United States.

OCTOBER TERM, [redacted] 1925

THE MOSLER SAFE COMPANY,
Petitioner,

vs.

ELY-NORRIS SAFE COMPANY,
Respondent.

BRIEF FOR RESPONDENT

On Petition for Writ of Certiorari.

The decision of the Circuit Court of Appeals for the Second Circuit of which petitioner seeks review represents the normal development of equity to keep pace with the changing standards of business morals. It establishes the right of a private trader who has been deprived of sales by his competitor's unfair methods to maintain suit to enjoin the continuance of such methods even where the wrong of "passing off" is not involved.

The Bill of Complaint.

The wrong charged in the bill of complaint is false branding, which this Court has held constitutes an unfair method of competition as against manufacturers who brand their goods truthfully.

Federal Trade Commission v. *Winsted Hosiery Co.*, 258 U. S. 483. There is no doubt that petitioner's practice is unlawful under Section 5 of the Federal Trade Commission Act, and that if the *public* interest, as distinguished from that of respondent, is involved, the Federal Trade Commission may properly issue a complaint and make an order requiring petitioner to cease and desist.

The bill alleges—and since the question arose on motion to dismiss the bill for failure to state facts sufficient to constitute a cause of action in equity, the allegation must be taken as true—that by reason of such unfair methods on the part of petitioner, respondent has been deprived of sales of its truthfully branded goods which, except for petitioner's wrong, it would have made. It is conceivable that this allegation might be difficult of proof if the goods were of a kind manufactured and marketed by hundreds of competitors. But the bill deals with burglar-proof safes having "explosion chambers" in their doors; and respondent and petitioner are the only concerns in the United States which sell or pretend to sell such safes, so that a person desiring to purchase an explosion chamber safe must obtain it either from respondent or from petitioner.

The bill alleges respondent's exclusive right under letters patent to make, use, and sell explosion chamber safes, infringement of that right by petitioner, and pendency of another suit for injunction against and accounting of such infringement. In addition the bill sets forth petitioner's practice of manufacturing safes which look like explosion chamber safes and representing them as such to persons desiring and intending to purchase the explosion chamber safes, such representation being

frequently false to petitioner's knowledge and intended solely to deceive, and petitioner's safes being frequently without any explosion chambers at all. By means of such false representations petitioner has secured for itself and has deprived respondent of sales to persons desiring the explosion chamber safes.

The net result of petitioner's practice is to secure the benefit of sales to persons wanting explosion chamber safes by deliberate false representations as to the inner construction of its safes, and to escape the burden of accounting for the profits of patent infringement by telling the truth to the court as to the inner construction of its safes. Judge Hand in his opinion for the Circuit Court of Appeals said:

> "To be satisfied the customer must in fact have gone to the plaintiff, or the defendant must have infringed. Had he infringed, the plaintiff could have recovered his profit on the sale; had the customer gone to him he would have made that profit. Any possibilities that the customers might not have gone to the plaintiff had they been told the truth are foreclosed by the allegation that the plaintiff in fact lost the sales." (Tr. p. 30.)

Petitioner's Contention.

The bill of complaint does not allege and the answers to interrogatories disavow any "passing off" of petitioner's wares as those of respondent; and petitioner's brief contends that there can be no actionable unfair competition wtihout "passing off". *American Washboard Co.* v. *Saginaw Mfg. Co.,* 103 Fed. 281, is relied upon. Since that decision was rendered (1901) this Court has held mis-

branding (without the suggestion of "passing off") an unfair and therefore unlawful method of competition as against other manufacturers who truthfully brand their goods. When a private trader is directly and necessarily damaged by such unlawful acts (and this the bill of complaint alleges) his property rights are invaded and his private right of action arises.

In *Armstrong* v. *Ringwalt*, 240 Fed. 1022, the Circuit Court of Appeals for the Third Circuit recognized the importance of this private right of action for misbranding. It reversed the District Court decision, 235 Fed. 458, quoted in petitioner's brief, and directed that the case proceed to final hearing, reserving the whole question for future decision. Unfortunately the case was not continued and the Circuit Court of Appeals was never called upon to express a definitive opinion.

Respondent's Reply.

Equitable remedies against unfair competition are not limited to "passing off" cases, and courts of equity are exercising their discretion to restrain increasingly diverse practices which have come and are coming to be regarded as unfair. *Union Pacific Ry. Co.* v. *Chicago, M. & St. P. Ry. Co.*, 163 U. S. 564, 600-601; *International News Service* v. *Associated Press*, 248 U. S. 215, 247. We shall specify only one instance out of many.

Mr. Justice Bradley in 1890 in *New York & Rosendale Cement Co.*, 44 Fed. 277, held that the false use of a geographical name was unactionable by one who used the name truthfully, fearing that to do otherwise "would open a Pandora's box of vexatious litigation". The weight of authority

now recognizes the power and duty of equity to prevent this fraud.

> *Pillsbury-Washburn* v. *Eagle*, 86 Fed. 608
>
> *Newman* v. *Alvord*, 51 N. Y. 189
>
> *French Republic* v. *Saratoga Vichy Co.*, 191 U. S. 427, 435
>
> *City of Carlsbad* v. *Kutnow*, 71 Fed. 167
>
> *American Waltham Watch Co.* v. *U. S. Watch Co.*, 173 Mass. 85
>
> *American Waltham Watch Co.* v. *Sandman*, 96 Fed. 330
>
> *California Fruit Canners Assn.* v. *Myer*, 104 Fed. 82
>
> *Scandinavia Belting Co.* v. *Asbestos & Rubber Works of America*, 257 Fed. 937

Pandora's box has been opened, but the litigation has not proved vexatious.

The fundamental rule of the law of unfair competition is simple—"Compete honestly." Its application to the facts alleged in the present bill of complaint in the light of modern standards of business morality admits of but one result, that reached by the Circuit Court of Appeals for the Second Circuit.

Respectfully,

Julius M. Mayer,
F. P. Warfield,
Lawrence Bristol,
Counsel for Respondent.

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(250)

Supreme Court of the United States,

OCTOBER TERM, 1926.

No. 94.

THE MOSLER SAFE COMPANY,
Petitioner-(Defendant),

vs.

ELY-NORRIS SAFE COMPANY,
Respondent-(Plaintiff).

BRIEF FOR RESPONDENT.

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SUBJECT INDEX.

TABLE OF CASES CITED.

TEXTS CITED

STATUTE CITED

Supreme Court of the United States.

OCTOBER TERM, 1926.

No. 94.

THE MOSLER SAFE COMPANY, Petitioner-(Defendant), vs. ELY-NORRIS SAFE COMPANY, Respondent-(Plaintiff).	

BRIEF FOR RESPONDENT.*

Reduced to simplest form, the bill of complaint presents these essentials:

(*a*) Plaintiff has the exclusive right under two patents to make, use and sell safes containing an explosion chamber, an invention which operates as a protection against burglary. Through plaintiff's efforts the public has come to recognize the value of such safes and the exclusive right is of great value to plaintiff. By reason of these patents plaintiff is the sole lawful source of supply in the United States for intending purchasers of explosion chamber safes. No person except defendant has ever challenged plaintiff's exclusive rights in the explosion chamber safe field.

(*b*) Defendant has infringed plaintiff's patents for which infringement suit is pending.

* The respondent Ely-Norris Safe Company was the plaintiff in the District Court. As the opinion of the District Court (R. 6) and the opinion of the Circuit Court of Appeals (R. 10-12) refer to the parties as plaintiff and defendant, the same terminology will be used in this brief. Certain allegations of the bill of complaint refer to plaintiff's predecessor in business and in title to the letters patent; but as the question here presented involves no distinction between plaintiff and plaintiff's predecessor, the single word plaintiff is used throughout.

(*c*) Defendant has also competed unfairly with plaintiff by selling safes which do not contain explosion chambers, and falsely representing to defendant's customers that they are explosion chamber safes.

(*d*) By reason of defendant's false representations, persons desiring to purchase explosion chamber safes have been led to purchase defendant's safes instead of plaintiff's safes, and defendant has secured for itself, and plaintiff has lost, sales to persons intending to purchase explosion chamber safes; the sale of defendant's misbranded safes has also endangered the reputation for effectiveness of plaintiff's explosion chamber safes.

This is the interpretation of the bill of complaint made by Judge Augustus N. Hand in the District Court (R. 6) and by Judge Learned Hand in the Circuit Court of Appeals (R. 10). This is the interpretation placed upon the bill of complaint by defendant's counsel in the lower courts and in the petition to this court for writ of certiorari and brief in support of the petition. The distorted interpretation contained in the brief for petitioner now before the court under the headings "The Facts" and "The Theory of the Bill", on pages 2-7, appears in this court for the first time. The bill of complaint is not fairly susceptible of any such interpretation. This false premise crops out occasionally throughout the brief for petitioner.

At the time the bill of complaint was filed the plaintiff was the sole lawful source of explosion chamber safes of any kind; and the defendant, to sell a safe to a person desiring an explosion chamber safe, had either to infringe plaintiff's patents or to lie to the purchaser about the internal construction of the safe.

Defendant's counsel has adverted to the expiration of plaintiff's two patents on explosion chamber safes. The allegations of the bill of complaint as to unfair competition were originally made in August, 1922, long before the expiration of either patent. When the District Court decided that these allegations failed to set forth facts constituting a

cause of action in equity, plaintiff, upon leave obtained, filed the amended bill of complaint now under consideration as to subject-matter severed from the original bill of complaint (R. 1). The present bill of complaint, therefore, relates back to August, 1922. *Seaboard Air Line* v. *Renn*, 241 U. S. 290, 293, and the question is whether the facts therein set forth were sufficient to constitute a cause of action in equity at that time.

The question is by no means academic, for if the plaintiff succeeds in proving the allegations of the bill of complaint it will be entitled to recover very substantial damages sustained by it and profits realized by the defendant on account of the unlawful misbranding complained of. The court will retain the case for an accounting even if the expiration of the patents be held in some way to affect the plaintiff's right to an injunction against defendant's unfair competition. *Clark* v. *Wooster*, 119 U. S. 322, 325. But, in our view of the case, the expiration of the patents does not terminate the plaintiff's right to injunctive relief. The fact that after the expiration of the patents defendant may lawfully sell *true* explosion chamber safes, gives defendant no right to practice the unlawful and unfair method of selling misbranded *dummy* explosion chamber safes as true explosion chamber safes. Plaintiff is entitled to recover its damages and defendant's profits arising out of defendant's unfair practices even subsequent to the expiration of plaintiff's patents.

Defendant's position is that although the acts complained of are fraudulent and have resulted in deceiving customers into purchasing defendant's wares instead of plaintiff's, this form of fraud is an old one, a "petty deceit", and gives rise to no right of action by the plaintiff. Stated in another way, defendant's position is that it can deprive plaintiff of business, without subjecting itself to suit for unfair competition, by any fraud except the one of "passing off" its safes as safes manufactured by plaintiff. We submit the law is not so powerless to deal with rogues.

The opinion of the Circuit Court of Appeals (R. 10-12),

per Learned Hand, *C. J.*, declares the power of the court to remedy the wrong complained of at the suit of the injured party. *Ely-Norris Safe Co.* v. *Mosler Safe Co.*, 7 F. (2d) 603.

The Business Situation.

The business situation involved in the present case can be stated briefly.

Plaintiff is manufacturing under two patents safes containing an explosion chamber which is an important feature of protection against the activities of safe-blowers, and has built up valuable good will in connection with this business. Through plaintiff's work, users of safes have come to want safes containing this protective feature. Under the two patents mentioned plaintiff has the exclusive right to make, use and sell explosion chamber safes and this right has been universally respected by all other safe manufacturers except the defendant. Safes with explosion chambers can be obtained in this country only from plaintiff (and from defendant who sells them in infringement of plaintiff's patents).

Defendant seeing this profitable business of plaintiff and appreciating the value of the good will and the desire created by plaintiff's efforts in the minds of safe users to obtain explosion chamber safes, has tried to reap where it has not sowed and to capitalize for itself the demand which plaintiff has created. To this end it has made and sold explosion chamber safes which infringe plaintiff's patents and suit for this patent infringement is pending undetermined in the District Court. No unfair competition in that respect is charged and plaintiff's remedy in the patent suit is adequate.

But defendant has not stopped there. It has placed a brass band around the doors of its safes at substantially the same place as the explosion chamber of plaintiff's safes and has represented to purchasers—not that defendant's safes are safes of plaintiff's manufacture—but that defendant's safes contain under the brass band the explosion

chamber of plaintiff's patents, the demand for which has been created by plaintiff's efforts. These safes are expensive and the brass band is so affixed that the purchaser cannot determine for himself whether there is a real explosion chamber or not without destroying the brass band and permanently defacing the safe door. For a time defendant manufactured and sold such safes with a real explosion chamber under the brass band. In comparison with the manganese steel of which other parts of the safe door are made, the brass band is so soft that the first force of an explosion of nitro-glycerine will disrupt it, leaving the explosion chamber open to dissipate the effect of the explosion. No unfair competition is charged in the sale of such safes, and the patent suit will give plaintiff the relief to which it is entitled.

But defendant has gone still further. It puts the same sort of brass band in the same location on other safes without explosion chambers and represents to purchasers—not that defendant's safes are safes of plaintiff's manufacture—but that defendant's safes contain under the brass band the explosion chamber covered by plaintiff's patents, the demand for which has been created by plaintiff's efforts. Defendant's safes of this type do not in fact contain any explosion chamber at all and defendant's representations to purchasers are in fact false and known to defendant to be false and are intended to deceive the purchasers. The purchasers have no way of determining for themselves the truth or falsity of defendant's representations as to the existence of an explosion chamber, unless they are willing to destroy the brass band and permanently deface the safe door, and of course none of them do that.

Defendant has borne none of the expense connected with the development of the explosion chamber invention and has spent no money in popularizing the explosion chamber safe; hence it is in a position to offer its safes at a price lower than plaintiff's price and thus to make sales of its safes to customers who otherwise would have purchased explosion chamber safes from plaintiff at plaintiff's price. The bankers (who are the safe users) are confirmed believers in the

explosion chamber safe. They will not buy safes except upon the express and direct representation that defendant's safes have explosion chambers. But when defendant offers a safe represented to have an explosion chamber at a price against which plaintiff cannot compete, and the banker has no way of checking up the representation, he must and does rely upon it and the defendant makes a sale which plaintiff otherwise would have made.

The business situation outlined above falls strictly within the allegations of the bill of complaint which are admitted by the motion to dismiss; and plaintiff is prepared to prove this course of conduct on the part of defendant by ample and indisputable evidence.

The practice complained of puts defendant in a position to obtain for itself by fraud and deceit all the trade advantages resulting from plaintiff's development and popularization of its patented explosion chamber safe and to resist suit for patent infringement by telling the truth to the court—that the manufacture and sale of defendant's so-called "explosion chamber" safe does not infringe plaintiff's explosion chamber safe patents because it does not in fact contain an explosion chamber. In other words defendant can obtain all the trade benefits of a field in which plaintiff has exclusive patent rights by making false representations to customers as to the actual character of defendant's safes, and can obtain all the benefits of a holding of non-infringement of plaintiff's patents by telling the court the truth as to defendant's safes. Such a method of doing business we submit is immoral and unlawful and can be prevented by the process of equity in accordance with the principles of the law of unfair competition at the suit of a competitor who is directly injured.

Defendant's business practice has been condemned by this court as an unfair method of competition. The only question is whether in the situation here involved, where plaintiff has lost sales as a direct and necessary result of defendant's practice, a private right of action in favor of the plaintiff exists.

POINT I.

Defendant's practice constitutes an unfair method of competition as against plaintiff.

In *Federal Trade Commission* v. *Winsted Co.*, 258 U. S. 483, this Court established the principle that the sale of goods labelled with false statements as to their character constitutes an unfair method of competition as against manufacturers who brand their goods truthfully.

> "The facts * * * show also that the practice constitutes an unfair method of competition as against manufacturers of all wool knit underwear and as against those manufacturers of mixed wool and cotton underwear who brand their product truthfully. For when misbranded goods attract customers by means of the fraud which they perpetrate, trade is diverted from the producer of truthfully marked goods."
>
> *Federal Trade Commission* v. *Winsted Co.*, 258 U. S. 483, 493.

Since misbranding of underwear is an unfair method of competition as against other underwear manufacturers, the number of whom is legion, *a fortiori* defendant's practice of falsely representing its safes as "explosion chamber" safes is an unfair method of competition as against plaintiff, the sole source, both in fact and by virtue of the patent monopoly, from which true explosion chamber safes may be obtained.

POINT II.

Actionable unfair competition is not limited to "passing off" cases.

The main argument for the defendant rests upon the assertion that the kind of unfair competition actionable by a private individual has invariably been limited strictly to cases characterized by deception of the public with respect to the *origin* of the goods sold—in other words, to "palming off" cases (Petitioner's brief, p. 18). Such a view of the general field of equity jurisprudence and the particular field of unfair competition is too limited and is out of accord with the text-writers and the decisions.

> "'Unfair competition' consists in selling goods by means which shock judicial sensibilities; and the Second Circuit has long been very sensitive."
>
> *Margarete Steiff, Inc.* v. *Bing*, 215 Fed. 204, 206. S. D. N. Y. per Hough, then *D. J.*

Hopkins (*Trademarks*, 4th Ed., Sec. 19, p. 40*a*) calls the above statement possibly "the best attempt at measuring it [unfair competition] with words."

> "In its facts, we apprehend, no case like it can be found, either in this country or in England. * * * The fact that the question comes to us in an entirely new guise, and that the schemer had concocted a kind of deception heretofore unheard of in legal jurisprudence is no reason why equity is either unwilling or unable to deal with him."
>
> *Weinstock* v. *Marks*, 109 Cal. 529.

> "The law of unfair competition * * * consists of one simple rule,—'Compete honestly.' This rule is not a statute, the creation of a Congress or a Legislature. It is a statement of the public sentiment of the day. The old rules,—'He who buys must look out for himself,'

'Everything goes in a trade,' 'Business is business,'—have been discarded, and a better time has come."

Nims, *Unfair Competition*, 2nd Ed., p. iii.

And again

"The law of Unfair Competition * * * is still in its infancy. Its possibilities of growth and effectiveness are almost unlimited. It started by regulating only one unfair practice, viz., substitution, or the act of offering or selling one brand of goods when the buyer has asked for another brand. Today its principles are being applied to most commercial practices that are unfair, or as the French law terms it, disloyal.

"The rules of Unfair Competition are not arbitrary pronouncements of courts. The formulation of these rules has been an almost spontaneous process, growing out of the discussion and decision of cases where injustice and wrong have been suffered because of the use of oppressive and unfair methods of competition. These cases have been decided not by the application of abstruse technical legal doctrines, but by the application of the same simple standards of right and wrong that are recognized and applied by the public in daily life outside the court house."

id., p. iv.

Mr. Nims' introduction to the first edition of his work on Unfair Competition began:

"There is a maxim as old as law, that there can be no right without a remedy, but it is equally true that men are constantly acquiring new rights and new kinds of property almost unknown to the law, and in lawful ways are putting themselves into new positions, in which they soon suffer wrongs which the courts seem powerless to prevent, or to end. It seems, sometimes, as if the progress of the unscrupulous merchant and manufacturer in inventing new schemes for filching away the trade of others unfairly, has been far more rapid than that of the courts in finding ways of protecting the honest business man against such schemes. But whatever has been the activity of these unscrupulous members of the

business community in the last decade, during this time very marked progress has been made by the law in developing rules and remedies relating to dishonest and unfair commercial practices."

id., p. v.

And further in the introduction to the first edition Mr. Nims said:

"The law of unfair competition has developed in part also in response to a general feeling that the honest and fair-dealing merchant is entitled to the fruits of his skill and industry, and must be protected against loss caused by fraudulent and unfair methods used by business rivals. It is a recognition by the courts of the duty to be honest and fair in all relations of business life. This is one of the most healthful signs of the times. The gradual judicial development of this doctrine is an embodiment of the principles of sound common sense, business morality, although it involves nice discriminations between what may and what may not be done in honorable business rivalry. * * *

But the fundamental rule that in business rivalry, no unfair or dishonest methods shall be tolerated, applies, on principle, to all of them."

id., p. vi.

"Unfair competition is not confined to acts directed against the owners of trade-marks or trade names, but exists wherever unfair means are used in trade rivalry. Equity looks, not at the character of the business in which the parties before the court are engaged, but at the honesty or dishonesty of their acts. It is unfair to pass off one's goods as those of another person; it is unfair to imitate a rival's trade name or label; but he who seeks to win trade by fair means or foul is not limited to these methods. He may copy and imitate the actual goods made or sold by a competitor, he may libel or slander these goods, make fraudulent use of a family name, of trade secrets, of corporate names, of signs, of threats of action, he may construct buildings which are reproductions of peculiar buildings of a rival, thus producing confusion in the minds of purchasers, which enables him to purloin his rival's trade, and in a hundred other unfair ways secure another's trade."

id., p. 2.

"The gradual but progressive judicial development of the doctrine of unfair competition in trade has shed lustre on that branch of our jurisprudence as an embodiment, to a marked degree, of the principles of high business morality, involving the nicest discrimination between those things which may, and those which may not, be done in the course of honorable rivalry in business."

Dennison Mfg. Co. v. *Thomas Mfg. Co.* (1899), 94 Fed. 651, 659.

"* * * in our intercourse with our fellow-men certain principles of morality are assumed to exist, without which society would be impossible."

Butchers' Union Co. v. *Crescent City Co.*, 111 U. S. 746, 756 (Field, *J.*, concurring).

"The law, firmly established by repeated decisions in this circuit, enjoins every artifice which promotes unfair trade. * * * A court of equity keeps pace with the rapid strides of the sharp competitors for the prize of public favor, and insists that it shall be won only by fair trade."

R. Heinisch's Sons Co. v. *Boker et al.*, 86 Fed. 765, 768. S. D. N. Y., Townsend, *D. J.*

"In my opinion all actions of this nature must be founded upon false representations. Originally, I apprehend, the right to bring an action in respect of the improper use of a trademark arose out of the common law right to bring an action for a false representation, which, of course, must be a false representation made fraudulently. It differed from an ordinary action for false representation in this respect: that an action for false representation is generally brought by the person to whom the false representation is made; but in the case of the improper use of a trademark, the common law courts noticed that the false representation which is made by putting another man's trademark, or the tradename of another manufacturer, on the goods which the wrong-doer sells, is calculated to do an injury, not only to the person to whom the false or fraudulent representation is made, but to the manufacturer whose trademark is imitated; and, therefore, the common law courts held

that such a manufacturer had a right of action for the improper use of his trademark. Then the common law courts extended that doctrine one step further; first, if I recollect rightly, in the case of *Sykes* v. *Sykes*. There it was held that although the representation was perfectly true as between the original vendor and the original purchaser, in this sense, that the original purchaser knew perfectly well who was the real manufacturer of the goods and therefore was not deceived into believing that he had bought goods manufactured by another person, yet if the trademark was put on the goods for the purpose of enabling that purchaser, when he came to resell the goods, to deceive any one of the public into thinking that he was purchasing the goods of the manufacturer to whom the trademark properly belonged, then that was equally a deception, a selling of goods with a false representation which would give the original user of the trademark a right of action. That was the common law right."

Mellish, *L. J.*, in *Singer Mfg. Co.* v. *Wilson*, 2 Ch. D. 434, 453 (quoted in Hopkins, *Trademarks*, 4th Ed., Sec. 181, p. 410).

"It must not be forgotten that in the increasing complexities of modern business relations equitable remedies have necessarily and steadily been expanded, and no inflexible rule has been permitted to circumscribe them. As has been well said, equity has contrived its remedies 'so that they shall correspond both to the primary right of the injured party, and to the wrong by which that right has been violated;' and 'has always preserved the elements of flexibility and expansiveness, so that new ones may be invented, or old ones modified, in order to meet the requirements of every case, and to satisfy the needs of a progressive social condition in which new primary rights and duties are constantly arising and new kinds of wrongs are constantly committed'."

Union Pacific R'y Co. v. *Chicago, M. & St. P. Ry. Co.*, 163 U. S. 564, 600-601.

"Unfair competition, like all oft-uttered legal phrases, has acquired rather a narrow use [passing off]. * * *

"But this is not all the law, nor the only sort of un-

fairness in business methods, practiced by a competitor, and resulting in a continuing tort, for which the law affords no adequate remedy—that comes under the condemnation of equity. * * * When and if such appropriated news is sold as the fruit of defendant's own efforts, and under its own name, it is a plain case of deception, assuming defendant's customers to be honorable men, anxious for good wares; an assumption necessarily made, in the absence of evidence to the contrary. Yet an action of such nature would lack the element of imitation, usually relied upon.

"Equity, however, is not stayed because a name does not fit, or one is not at hand to accurately describe a wrong of a kind necessarily infrequent. If defendant takes what someone else owns, and sells it as of right, in rivalry with the owner, such competition is more than unfair; it is patently unlawful and the wider term comprises the narrower. But, laying aside the right of property as the ultimate foundation of suit, the business method of selling, in competition with plaintiff and its members, something falsely represented as gathered by defendant otherwise than from bulletins and early editions, is unfair, because it is parasitic and untrue. It is immoral, and that is usually unfair to some one.

"The flexibility of equity in granting relief against unfair methods of business was well stated by Ingraham *J.*, in *Burrow* v. *Marceau*, 124 App. Div., 665, 109 N. Y. Supp., 105:

> 'No hard and fast rule can be laid down, * * * where it is clearly established that an attempt is being made by one person to get the business of another by * * * fraud and deceit a court of equity will' intervene.

"And in *Weinstock* v. *Marks*, 109 Cal., 529, 42 Pac., 142, 30 L. R. A., 182, 50 Am. St. Rep., 57, it was said:

> 'Equity does not concern itself about the means by which wrong is done; it deals with the result of the fraud, which moves the arm of the law and strikes down all efforts, where fraud is practiced in securing the trade of a rival dealer'."

Associated Press v. *International News Service*, 245 Fed. 244 at 251, 252. Second C. C. A. per Hough, *C. J.*

"It is said that the elements of unfair competition are lacking because there is no attempt by defendant to palm off its goods as those of the complainant, characteristic of the most familiar, if not the most typical, cases of unfair competition. *Howe Scale Co.* v. *Wyckoff, Seamans & Benedict*, 198 U. S. 118, 140. But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as quasi property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own."

International News Service v. *Associated Press*, 248 U. S. 215, 241, 242.

"The ordinary case, I say, is palming off the defendant's product as the plaintiff's, but the same evil may follow from the opposite falsehood—from saying, whether in words or by implication, that the plaintiff's product is the defendant's, and that, it seems to me, is what has happened here."

Holmes, *J.*, concurring, *id.*, 247.

In *Montegut* v. *Hickson, Inc.*, 178 App. Div. 94, the Appellate Division of the New York Supreme Court, First Department, sustained against a demurrer a complaint which showed on its face that there was no passing off of defendant's goods as plaintiff's goods. The practice there held to constitute actionable unfair competition was as follows:

Plaintiff imported from Paris models of gowns and capes, exhibited them to customers, and sold reproductions. Defendant caused some of plaintiff's gowns to be purchased by a lady who represented herself to be a private customer buying the gowns for her personal use, which representations

were false. The lady purchaser delivered the gowns to defendant who removed plaintiff's marks, exhibited the gowns to defendant's customers as defendant's own importations and offered to sell copies, thereby deceiving the public, injuring plaintiff's reputation, and causing it to lose sales. The Appellate Division held:

> "The natural and intended result was to divert from the plaintiffs and appropriate by the defendant trade and custom that would otherwise go to the plaintiffs; for, if the styles were popular and could only be obtained at the plaintiff's establishment, the defendant could only obtain the custom of persons seeking these styles by obtaining the models and copying them. For this express purpose, and knowing that plaintiffs would only sell copies of these models to bona fide customers purchasing for personal use, the defendant conceived and put into effect its scheme of imposition and fraud upon the plaintiffs, by procuring a person to misrepresent herself as a private customer, buying the gowns to wear herself, and thus misled and deceived the plaintiffs into turning over their models to the defendant. We are not concerned with the fraud practiced by the defendant on its own customers, except in so far as it tends to brand the entire transaction and trade methods of the defendant as dishonest and fraudulent."
>
> *Montegut* v. *Hickson, Inc.*, 178 App. Div. 94.

Petitioner's brief, page 21, quotes the first half of the last sentence above but omits to quote the second half of the sentence. Obviously the Appellate Division had in mind the same thought as was expressed by the Circuit Court of Appeals in the instant case, "The law does not allow him [plaintiff] to sue as a vicarious avenger of the defendant's customers" (R. 11).

The Appellate Division also quoted with approval the following language of Mr. Justice Ingraham:

> "There is no hard and fast rule by which it can be determined when the court will interfere by injunction to prevent what is practically a fraud upon a person engaged in business by the unfair methods of competition.

Each case must depend upon its own facts; but where it is clearly established that an attempt is being made by one person to get the business of another by any means that involves fraud or deceit, a court of equity will protect the honest trader and restrain a dishonest one from carrying out his scheme."

Burrow v. *Marceau*, 124 App. Div. 665.

The *dissenting* opinion of Davis, *J.*, points out that there is no question of passing off involved and advances the argument that:

"While the defendant's act of appropriating the ideas and work of the plaintiffs may be unreservedly condemned in its moral aspect, it is not an act which the courts have thus far regarded as unfair competition."

Montegut v. *Hickson, Inc.*, 178 App. Div. 94 (dissenting opinion).

But the majority of the court took a more enlightened view of the situation.

Estes & Sons v. *George Frost Co.*, 176 Fed. 338 (1st C. C. A.) involves many features identical with the instant case. The complainant there was the exclusive licensee under a patent for a hose supporter having as its feature of novelty a rubber button. The complainant's trade name for the hose supporter was "Velvet Grip" and in advertising it complainant had directed particular attention to the rubber button feature. The defendant manufactured a wooden button colored to imitate rubber for use in hose supporters. The evidence showed that hose supporters containing wooden buttons like the defendant's were commonly sold for rubber button hose supporters and in some instances had been sold specifically for "Velvet Grip" hose supporters. The District Court granted a motion for preliminary injunction (156 Fed., 677) and the Circuit Court of Appeals for the First Circuit affirmed (176 Fed. 338), saying:

"* * * we think that court properly characterized such an intention, carried into effect through manu-

facturing and placing the goods upon the market, as unfair competition and as a wrongful act, whether done before or after the expiration of the patent * * * members of the public are entitled to know what they are buying and that a purpose to create imitations or similitudes calculated in themselves to deceive, or making false characterizations calculated to deceive, amount to an imposition, and that when a deceptive article is purposely brought into competition with the genuine it amounts to unfair competition.

"The whole trend of modern decision is in the direction of making it clear, whether in respect to food, drink, or wearing apparel, that placing adulterations and imitations upon the markets, with the purpose of deceiving members of the public who buy, as they do often times upon casual inspection, into buying something for what it is not, is a business which is not countenanced by the law, and when with such deceptive purpose things are brought into situations of competition with the genuine that the competition is unfair. Such rules of law are in a large sense based upon the idea that the public in its relation to business and business in its relation to the public, in respect to the necessary and useful articles of life and trade, ought to have such protection as results from fair competition. And it follows that if one business concern has created, advertised and sold a particular thing which proves to have intrinsic natural or inventive merit, which commends itself to the public under actual continuous use, that if another business concern conceives the idea of making something not possessing this merit at all, but making it so nearly in resemblance as to deceive members of the purchasing public into buying it, it not only becomes an imposition upon the public, but an imposition upon the rightful business of the one whose goods are imitated, and the imposition results from what, in law phrase, is called unfair competition. * * *

"It was the rubber feature that made it saleable. The defendants, apparently discovering this, and having made buttons and other turnings of wood for many years, conceived the idea of making a wooden button and painting it, or enameling it, or coloring it in imitation of rubber, and putting it in the hands of manufacturers, to the end that it should get into trade in imitation of the genuine. * * *

"The fact that an inferior thing on the trade counters requires close inspection to detect it from the genuine goes a long way towards establishing its unfair influence in the market. If an unwary person, who was seeking to buy a hose supporter with a rubber button which would hold and not cut stockings or other fabric, was deceived, without close inspection, into buying one of wood made in imitation of rubber, which would cut, and which would not hold the stocking in place, that person would have been wronged through unfair competition in trade. And that the general public may be wronged, as well as business concerns dealing in the genuine article, is one of the reasons for the law against unfair competition. In a word, a rubber button being desirable for a certain purpose, the unfair competition consists in making and putting upon the markets a wooden button, made in imitation, which is not desirable for that purpose, with the idea of deceiving the public into buying it for the genuine. The fact that a thing influences the public and trade deceptively puts the thing into the field of unfair competition."

E. B. Estes & Sons v. *George Frost Co.*, 176 Fed. 338, 339, 340.

"The privilege of deceiving the public even for their own benefit is not a legitimate subject of commerce" (Gardner, *J.*, *Partridge* v. *Menck*, 1 How. Ct. App. Cas. 558).—quoted in

Prince Manufacturing Co. v. *Prince's Metallic Paint Company*, 135 N. Y. 24, 39.

Quoted with approval in

Worden v. *California Fig Syrup Co.*, 187 U. S. 516, 529.

The circulation of unfair or misleading notices of infringement will be restrained by a court of equity.

Adriance, Platt & Co. v. *National Harrow Co.*, 121 Fed. 827 (2nd C. C. A.);

Radio Corporation of America v. *Radio Audion Co.*, 284 Fed. 581 (D. C. Delaware);

Panay Horizontal Show Jar Co. v. *Aridor Co.*, 292 Fed. 858 (7th C. C. A.);
Gerosa v. *Apco Mfg. Co.*, 299 Fed. 19 (1st C. C. A.).

And the doctrine of *unfair* competition has been held broad enough to support an injunction against defendant's fraudulent acts where there is likelihood of damage to plaintiff, even though there is *no* competition between plaintiff and defendant.

Vogue Co. v. *Thompson-Hudson Co.*, 300 Fed. 509 (6th C. C. A.).

"The truth is that the courts are constantly oscillating between a desire for certainty on the one hand and a desire for flexibility and conformity to present social standards upon the other. It is impossible that in a progressive society the law should be absolutely certain. It is equally impossible that the courts should render decisions conforming to the prevailing notions of equity without thereby causing a considerable degree of uncertainty, owing to the constant fluctuations in moral standards and their application to new and unforeseen conditions. New opinions are often due to economic changes, and many views regarding natural rights or individual liberty which were held fundamental in the last century sometimes find little support in the public opinion of the twentieth by reason of altered social and economic conditions."

Coudert, *Certainty and Justice*, pp. 12, 13—quoted in *Law and Morals*, Roscoe Pound, 1924, p. 150.

POINT III.

Defendant's unfair method of competition is actionable by plaintiff.

In *Armstrong Cork Co.* v. *Ringwalt Linoleum Works*, 240 Fed. 1022, a case decided by the Circuit Court of Appeals for the Third Circuit, a bill of complaint not nearly so strong as the complaint in the instant case was sustained against a motion to dismiss.

The bill there alleged that the Armstrong Cork Company and the other plaintiffs were the manufacturers of 54% of the linoleum used in this country, and that the word "linoleum" signified a certain kind of floor covering; that the defendant with fraudulent intent was marketing under the name "linoleum" a product which was in fact not linoleum at all but a very inferior floor covering made of saturated felt paper deceptively contrived to resemble genuine linoleum; and that defendant's conduct enabled dealers to sell its spurious product as linoleum to the serious damage of plaintiffs. Judge Rellstab in the District Court held that *American Washboard Mfg. Co.* v. *Saginaw Mfg. Co.*, 103 Fed. 281, was controlling and granted defendant's motion to dismiss the bill. 235 Fed. 458. Plaintiff appealed to the Circuit Court of Appeals for the Third Circuit, which reinstated the bill, saying:

> "In view of the important and far-reaching commercial questions raised in this case, we feel that they can better be approached and decided in this court after full proofs and final hearing. Following our usual course in such a situation, we express no present opinion on those questions, and confine ourselves to reversing the order made below dismissing the bill, and remanding the case, with directions to reinstate the bill, overrule the demurrer, without prejudice to raising the same questions on final hearing, and to proceed to final hearing. We might add that, in view of the possibility of bringing such matters as are here involved before the Federal Trade

Commission, this order is made without prejudice to the right of the parties while this bill is pending to apply for relief to that body, if it so desires."

Armstrong v. *Ringwalt*, 240 Fed. 1022.

The matter was taken to the Federal Trade Commission and an order to cease and desist was made (1 F. T. C. 436). The case never went to final hearing in the District Court.

We submit that the Circuit Court of Appeals for the Third Circuit has thus declined to follow the *American Washboard* case, at least so far as it was applicable to a motion to dismiss the bill of complaint. And it is to be noted also that in the instant case plaintiff is the sole source of explosion chamber safes, while in the *Armstrong Cork* case plaintiffs all together sold only 54% of the country's linoleum. This decision of the Circuit Court of Appeals for the Third Circuit was made in April, 1917, prior to the decision of this court in the *Winsted Hosiery* case, which was handed down in April, 1922.

An examination of the briefs submitted to this court shows that the *American Washboard* case and the *Armstrong Cork* case were cited. In fact, Point I of the petition for writ of certiorari, and the brief in support thereof, was:

> "The court erred in holding that there was no unfair method of competition as against other manufacturers."

And the *American Washboard* case was cited in connection with this point. The very explicit language, the fundamental basis of the decision, we respectfully submit, overrules the *American Washboard* case, and establishes as law the proposition that misbranding is an unfair method of competition as against manufacturers of truthfully branded goods.

The bill of complaint in the instant case alleges:

> "by its said acts and said representations, the defendant has secured for itself and has deprived the plaintiff of sales to persons desiring and intending to purchase safes containing explosion chambers such as are actually

contained in the safes manufactured and sold by the plaintiff; and that the defendant by its acts and representations herein set forth has endangered the reputation for effectiveness of the explosion chamber contained in the safes manufactured and sold by the plaintiff and protected by said Letters Patent heretofore referred to; and that said damage to the plaintiff was created and caused directly and solely by the acts and representations of the defendant as herein set forth and now exists and as plaintiff believes will continue hereafter unless restrained by the decree of this Honorable Court" (R. 3).

Plaintiff is the only rightful manufacturer of explosion chamber safes. If by reason of defendant's acts, any person who would otherwise have bought an explosion safe has purchased one of defendant's safes (and on motion to dismiss, this must be assumed to be the fact) trade has been diverted from plaintiff and from plaintiff only. There is no uncertainty or possibility that the customer might have gone to some other manufacturer, for there are no other manufacturers.

In the rubber button hose supporter case, the act found to be unfair was the manufacture and sale of a wooden button which simulated the rubber button so that hose supporters made with it could be sold as rubber button hose supporters, and the injunction ordered was to prevent that possibility—not merely the possibility of passing them off as *plaintiff's* rubber button hose supporters.

We are unable to distinguish acts which constitute "an unfair method of competition" from acts which amount to "unfair competition".

> "Any civil right not unlawful in itself nor against public policy, that has acquired a pecuniary value, becomes a property right that is entitled to protection as such. The courts have frequently exercised this right. They have never refused to do so when the facts show that the failure to exercise equitable jurisdiction would permit unfair competition in trade or in any matter pertaining to a property right."
>
> *Fisher* v. *Star Co.*, 231 N. Y. 414, 428.

The subject matter involved in the instant case illustrates well the advancement of business morals and the way in which the courts have followed the advancing standards of society. Misbranding has been held an equitable defense as a fraud upon the public by plaintiff:

> *Worden* v. *California Fig Syrup Co.*, 187 U. S. 516, 528;
>
> *Krauss* v. *Peebles' Sons Co.*, 58 Fed. 585;

and also to defeat a recovery on contract:

> *Church* v. *Proctor*, 66 Fed. 240 (First C. C. A.).

At one time it was held that equity would not act to prevent the false use of a geographical name at the suit of an interested competitor who dealt in the product truly labelled. *New York and Rosendale Cement Co.* v. *Coplay Cement Co.*, 44 Fed. 277. One of the reasons given by Mr. Justice Bradley for that decision was that the contrary holding "would open a Pandora's box of vexatious litigation". The great weight of authority now recognizes the power and duty of equity to act in such cases, yet no legislative enactment was necessary to this advance.

The Circuit Court of Appeals for the Seventh Circuit in *Pillsbury-Washburn* v. *Eagle*, 86 Fed. 608, granted a permanent injunction restraining the defendant from falsely branding his flour "Minnesota Patent, Minneapolis, Minn." when as a matter of fact defendant's flour was milled at Milwaukee, Wisconsin.

The New York Commission of Appeals (now the Court of Appeals) in *Newman* v. *Alvord*, 51 N. Y. 189, restrained the defendants who manufactured cement in Onondaga County from using the word "Akron" on cement not made at Akron. The plaintiffs were manufacturers of cement at Akron, Erie County, New York. The opinion concludes:

> "In the case at bar the defendants not only used the word Akron, as applied to their cement, for a fraudulent and dishonest purpose, but there is the additional ele-

ment that they could not truthfully use it, and, hence, for more reason than in the case last cited, they ought to be restrained."

Newman v. *Alvord*, 51 N. Y. 189, 197, 198.

In the Plymouth gin case Judge Lacombe said:

"* * * the federal courts * * * will not tolerate a false use of a geographical name when it is so used to promote unfair competition and to induce the sale of spurious goods."

Collinsplatt v. *Finlayson*, 88 Fed. 693.

To the same effect are:

French Republic v. *Saratoga Vichy Co.*, 191 U. S. 427, 435;

City of Carlsbad v. *Kutnow*, 71 Fed. 167 (2nd C. C. A.);

American Waltham Watch Co. v. *U. S. Watch Co.*, 173 Mass. 85;

American Waltham Watch Co. v. *Sandman*, 96 Fed. 330, Townsend, *D. J.* (S. D. N. Y.);

California Fruit Canners' Ass'n v. *Myer*, 104 Fed. 82;

Scandinavia Belting Co. v. *Asbestos & Rubber Works of America*, 257 Fed. 937 (2nd C. C. A.).

The "Pandora's box of vexatious litigation" which Mr. Justice Bradley dreaded, has been opened—and with salutary results. We believe the time has come to open the other "Pandora box" referred to by Judge Day in the *American Washboard* case.

Misbranding and false representations as to many things have long been specifically prohibited by statute, *e. g.*, articles of silver and gold, food and drugs, insecticides, and in New York and elsewhere such things as mattresses, lime, linen, newspaper circulation and stocks and bonds.

Finally Congress has enacted

"That unfair methods of competition in commerce are hereby declared unlawful."

Federal Trade Commission Act, Sec. 5, 38 Stat. 719.

This Court has said:

"The words 'unfair method of competition' are not defined by the statute and their exact meaning is in dispute. It is for the courts, not the commission, ultimately to determine as matter of law what they include. They are clearly inapplicable to practices never heretofore regarded as opposed to good morals because characterized by deception, bad faith, fraud or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly. The act was certainly not intended to fetter free and fair competition as commonly understood and practiced by honorable opponents in trade."

Federal Trade Commission v. *Gratz,* 253 U. S. 421, 427, 428.

"What shall constitute unfair methods of competition denounced by the act, is left without specific definition. Congress deemed it better to leave the subject without precise definition, and to have each case determined upon its own facts, owing to the multifarious means by which it is sought to effectuate such schemes."

Federal Trade Commission v. *Beech-Nut Co.,* 257 U. S. 441, 453.

"The great purpose of both statutes [Federal Trade Commission Act and Clayton Act] was to advance the public interest by securing fair opportunity for the play of the contending forces ordinarily engendered by an honest desire for gain."

Federal Trade Commission v. *Sinclair Co.,* 261 U. S. 463, 476.

We submit that Section 5 of the *Federal Trade Commission Act* is declaratory of the modern view of business morality and the generally accepted ideas of equity. The fact that a special tribunal was created to enforce the provisions of Section 5,

"if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public,"

Federal Trade Commission Act, Sec. 5, 38 Stat. 719.

does not change the applicability of the substantive declaration of law to all competitors in interstate commerce.

In applying the substantive declaration contained in Section 5, the Federal Trade Commission and the Supreme Court have found, both as a matter of morals and as a matter of law, that acts of misbranding constitute unfair methods of competition and are unlawful. The statements in the *American Washboard* case decided in 1901 should now be revised to bring them into harmony with the present-day trend of judicial decision and with modern views of business morality as evidenced in chronological succession by Congress, by the Circuit Court of Appeals for the Third Circuit, by the Supreme Court, and by the Circuit Court of Appeals for the Second Circuit.

It is unthinkable to us that a method of competition so positively declared to be unfair may be unactionable in equity by a competitor who is directly and irreparably injured. The bill of complaint here alleges without equivocation the diversion of plaintiff's trade to defendant by defendant's unfair acts. Equity has long prided itself upon affording remedies for recognized wrongs and should do so in the instant case.

To use a simple analogy, the fact that something may be a public nuisance does not prevent its being also a nuisance actionable by private persons who are specially damaged. The fact that defendant's conduct may be reviewable by the Federal Trade Commission does not prevent redress at the suit of a private party, the plaintiff, which is directly and irreparably injured.

Defendant has objected that the bill of complaint shows no property right in the plaintiff which the defendant has invaded, but this is out of harmony with the law as it exists to-day. The plaintiff's business of manufacturing and selling explosion chamber safes in commerce is a property right which is entitled to protection against unlawful injury or interference. *Duplex Co.* v. *Deering*, 254 U. S. 443, 465; *Pierce* v. *Society of Sisters*, 268 U. S. 510, 534, 536. And

plaintiff at the time the bill of complaint was filed had the right, by virtue of two patents, to exclude all others from manufacturing, using and selling explosion chamber safes. There can be no denial that defendant's practice here complained of invaded plaintiff's property rights and caused the plaintiff damage.

As pointed out in the opinion of Judge Learned Hand in the Circuit Court of Appeals, the impossibility, in the ordinary case, of proving damages is the reason why such deceits have not been regarded as actionable by a competitor (R. 11, 12). The bill of complaint here alleges without equivocation that by reason of defendant's unlawful acts the defendant has secured for itself and has deprived plaintiff of sales, and has endangered the reputation for effectiveness of the explosion chamber contained in safes manufactured and sold by the plaintiff. The motion to dismiss the bill of complaint of course admits these allegations; yet the defendant asserts in its brief that "this simply cannot be true" and "is pure surmise, speculation and assumption" (petitioner's brief, p. 6).

The allegations, on the contrary, are not only admittedly true but inherently probable. To satisfy a customer desiring to purchase an explosion chamber safe the defendant had either to sell him an explosion chamber safe or falsely represent to him that the safe contained an explosion chamber. In the first case the plaintiff will recover the profit on defendant's sale in the patent infringement suit; in the second case the defendant has deprived plaintiff of a profit which it otherwise would have made and defendant must account therefor in the present suit.

POINT IV.

A proceeding by the Federal Trade Commission is a remedy far less effective than a litigation between the parties.

Since the *American Washboard* case was decided in 1901 economic conditions and legislation dealing with economic subject-matter have greatly changed. A question of the character now presented must be viewed in the light of today and not of yesterday. The books are now being filled with cases with which the Federal Trade Commission has dealt, demonstrating the tremendous growth of this sort of administrative inquiry and decision.

There are many cases, of which the one at bar is an illustration, where the public interest is involved but where really the essential feature is the trade situation between private concerns engaged in the affairs of some ordinary commercial business. If every one of such disputes can be adjusted and the wrongs righted only by bringing the matter before the Federal Trade Commission, the result will be one which will impose great public and private expense in money and in time occupied before the merchant can obtain such redress as the Commission can give. A private litigation, on the other hand, can determine the controversy and adjust the rights of the parties with much greater effectiveness.

The problems which this modern regulatory legislation presents were appreciated in *John Bone & Sons* v. *Federal Trade Commission*, 299 Fed. 468, where the Circuit Court of Appeals for the Second Circuit dealt with what in effect was regarded as a private controversy.

The case at bar in importance goes far beyond the limits of this particular subject-matter. It invites this Court to affirm a rule of law which, upon facts and in circumstances such as these, will enable a business concern to obtain its remedy promptly and fully in a court of justice, rather than

to be turned away from the court into the involved channels of inquiry and action by a Federal regulatory body.

This plaintiff is ready and willing to fight for what it conceives to be its own rights and for the redress or wrongs directed peculiarly against it and not against any other manufacturer. In such circumstances, the plaintiff who can prove direct damage should not be compelled to resort to the Federal Trade Commission.

By the acts complained of, defendant has diverted to itself plaintiff's trade and has thereby gained large profits to which plaintiff is justly entitled, and it has caused large damages to plaintiff. The Federal Trade Commission has no power to determine the amount of such profits and damages or to order their payment by defendant to plaintiff. The remedy which the Federal Trade Commission is able to apply looks only to the prevention of future wrongs and not to the redress of past wrongs.

The ruling of the lower court here under review should be affirmed.

Respectfully submitted,

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